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Restaurant Business

A BILL PUBLICATION

NOVEMBER 20, 1989

THE TOP 100 RESTAURANT CHAINS 117

INDEPENDENT ST★RS Sfuzzi • Jimmy's 94
MENU IDEAS Pantry for the 1990s 185
EDEN EXPRESS Handicapped training 168
LATELINE Buckleys bid for Arby's 236

RESTAURANT BUSINESS

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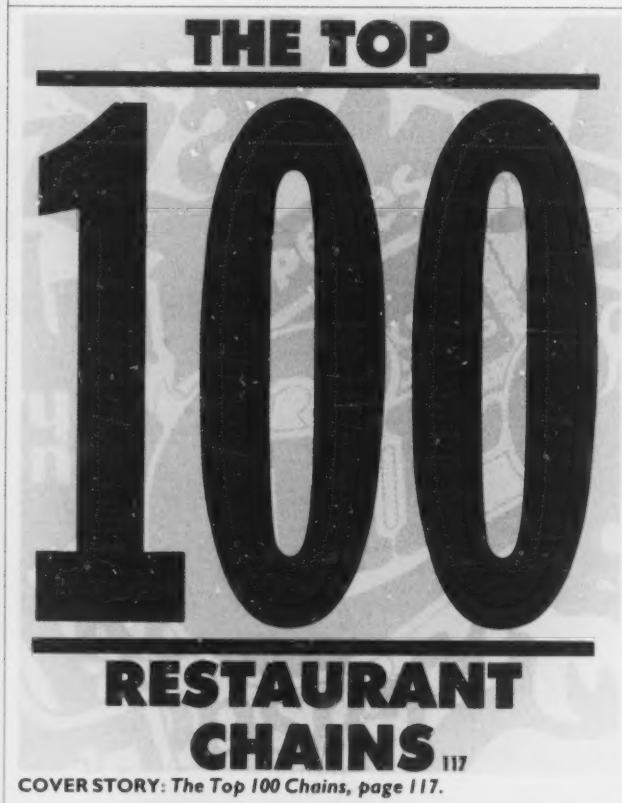

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COVER STORY

EXCLUSIVE REPORT **THE TOP 100 CHAINS.** In this second annual report, prepared in conjunction with Technomic Inc., the top restaurant chains are ranked by 1988 U.S. systemwide sales and units. In addition, each chain is profiled and updated **117**

FOOD AND BEVERAGE

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Published 18 times a year by Restaurant Business Magazine, 633 Third Ave., New York, N.Y. 10017. Vol. 88 No. 17. Second Class Postage paid at New York, N.Y. and additional office (ISSN 0097-8043). Postmaster please send address changes to Restaurant Business, P.O. Box 5309, Grand Central Station, New York, N.Y. 10017.

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REPRINTS, REPORTS AVAILABLE

Restaurant Business now has available reprints of the **1989 RESTAURANT GROWTH INDEX** and the **1989 MAJOR FORCES IN FRANCHISING**. The reprints are $5 per copy. Direct inquiries to: Editor Peter Berlinski, *Restaurant Business*, 633 Third Ave., New York, NY 10017.

Results of the *Restaurant Business*/Deutsch, Shea & Evans exclusive Management **CAREER SURVEY** were published in the October 10 and November 1 issues of *Restaurant Business*. The full text of the 40-page report is now available for $45. Direct inquiries to: David Warhaftig, DS&E, 485 Fifth Ave., New York, NY (212) 687-8100.

MARKET SEGMENT REPORT: ***Sandwich, page 193.***

IN THE NEXT ISSUE

COVER STORY

PRESIDENTS FORECAST

At the 8th annual roundtable discussion, *Restaurant Business* once again gathered a group of top foodservice industry CEOs to address: The 1990s—Boom or Bust? Participants engaged in a lively discussion of the U.S. economic outlook, restaurant trends, and government regulations. We will publish a report on the highlights of this forum.

MENU IDEAS

DESSERTS

This issue features the all-American confections of Bob Kinkead, chef/owner of 21 Federal Restaurants in Washington, DC, and Nantucket, MA.

MARKET SEGMENT REPORT

FAMILY RESTAURANTS

With the emphasis on price/value an ever-increasing concern, players in this segment continue to offer table service and full portions at very moderate prices. Service tends to be quicker than in more upscale theme concepts, but is still slower than in fast food. Operators are finding competition from all dayparts and segments, but rising senior and family populations help these operators keep their patron base.

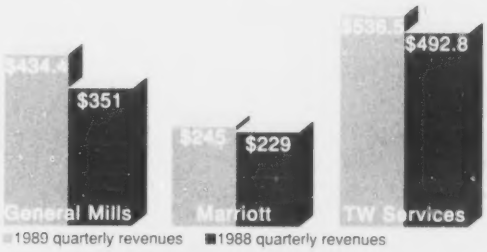
DRAFTS, CARAFES & SPIRITS

WHISKIES WITH STYLE

These liquors are still an enormous category despite soft sales in recent years—particularly superpremium whiskies such as single malt Scotch and prestige brands of Bourbon, Irish, and Canadian whiskey.

BUSINESS BAROMETER

DIVERSIFIED PUBLIC COMPANIES
2nd Quarter Results (In Millions)



Public Companies Up

TW Services—in its last quarterly report as a publicly held firm—showed revenues from restaurant operations up 8.9%, to $536.5 million, for the quarter ending June 31. Net income is estimated to have jumped 18.5%, to $22.34 million, in the same period. TW Services' restaurants include Denny's, El Pollo Loco, Quincy's Family Steakhouse, and 400-plus franchised Hardee's locations.

General Mills Restaurant Group's revenue jumped 23% to $434.3 million for the quarter ending in July, due to increased traffic at Red Lobster and new Olive Garden units. Similarly, net income is estimated to have risen 29%, to $22.8 million.

Marriot's restaurant holdings, which include Roy Rogers, Big Boy, Wags and Allie's, notched revenue of $245 million, up 7%. Net income, however, lagged behind revenue growth, increasing just 3.2% to about $11.2 million.

SOURCE: Company Quarterly Reports, Technomic Inc.

GROWTH IN EMPLOYMENT
January-July 1989

(1) All Service Industries Net of Eating & Drinking Places.
(2) Total Non-Agricultural Employment.

Employment Growth Slow

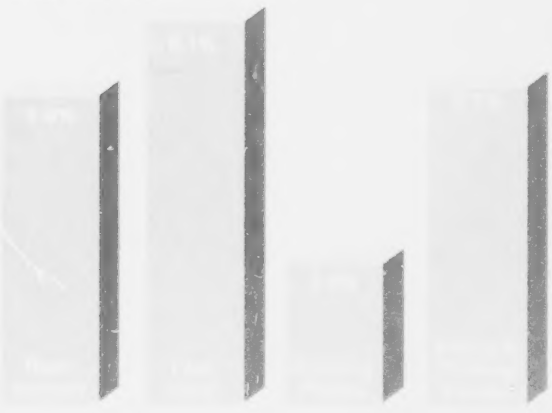
Employment at Eating and Drinking Places (E&DPs) has grown only 1.5% through the first seven months of 1989 compared with the year-ago period. Eating and Drinking Places employed 6.53 million in July 1989, as compared with 6.44 million in July 1988. In contrast, growth in all service industries excluding E&DPs jumped 3.7%, while total nonagricultural employment has risen 3.2%, according to the Bureau of Labor Statistics.

Part of the slower employment growth in E&DPs can be attributed to slower real growth (2.0%) in the industry versus 2.8% for gross national product, the key indicator of overall economic growth.

However, the magnitude of the differential in employment growth also suggests that E&DP operators are finding it increasingly difficult to attract new labor.

SOURCE: Bureau of Labor Statistics

GROWTH IN RETAIL SALES
January-July 1989



Fast Food Surges

Total retail sales for Eating and Drinking Places reached $80.26 billion in the first six months of 1989—up 6.7% over the same period in 1988. With the consumer price index for Food Away From Home at 4.6%, Eating and Drinking Places has had a real growth of 2.0%.

Fast food has accounted for much of the growth, with retail sales through June surging to $31.26 billion—an 8.1% increase, for a real growth of 3.3%. Restaurants have had relatively modest growth of 1.9% in real terms, while Drinking Places continue to face hard times. Retail sales climbed only 2.9% at Drinking Places during the first half of the year, representing a 1.6% drop in the real growth rate.

SOURCE: U.S. Census Bureau

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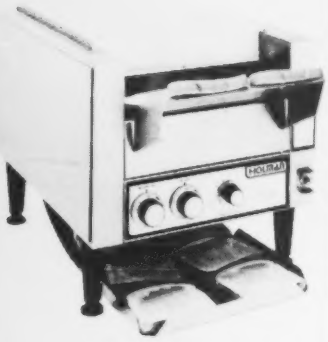
CONVEYOR TOASTERS



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RESTAURANT BUSINESS Magazine (formerly FAST FOOD) (ISSN 0097-8043) is published 18 times a year by Bill Communications, Inc., 633 Third Ave., New York, NY 10017. Telephone 212-986-4800. Copyright © 1989 by Bill Communications, Inc. All rights reserved. Subscriptions in the U.S., $79; foreign and Canada, $114, air mail, $212. Single copies in the U.S. and Canada, $5. Second class postage paid at New York, NY and at additional offices. Postmaster: Send address corrections to Restaurant Business, Attention: Roseanne Walsh, Circ. Dept., 633 Third Avenue, New York, NY 10017-6743.
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THE TOP 100 RESTAURANT CHAINS

Restaurant Business **is proud to present our second annual Top 100 report. This definitive chain analysis is the only comprehensive compilation of company source data. One hundred chains are ranked by 1988 U.S. systemwide sales and units.**

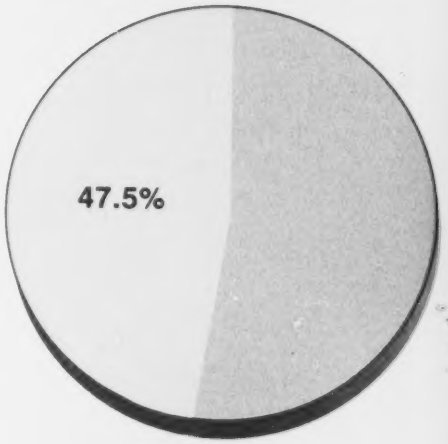
Once again, the Top 100 study offers a revealing picture of the leading restaurant chains in the U.S. This report is an exclusive compilation of statistical data prepared especially for *Restaurant Business* by Technomic; the report also includes 100 company profiles written by *RB* staff members.

In 1988, total separate eating and drinking place sales rose 3.2% in real terms to $133.289 billion. Like last year, McDonald's Corp. led the way, in both 1988 sales and units, with $11,380,212,000 and 7,907 units. Pizza Hut switched ranks with Wendy's and is now in fourth place; Wendy's dropped in ranking to number six. Burger King remained number two, Kentucky Fried Chicken held its third-place slot, and Hardee's is once again the fifth-ranking chain.

Notable growth spurts: Olive Garden experienced tremendous growth, with a 78.1% increase in sales; it leapt from 83 to a rank of 55. Proving that the public's appetite for sweets has not diminished, TCBY—last year ranked 87—moved up to 63, with a 73.3% sales increase. Likewise, Mrs. Fields shot up to 74th place, jumping from last year's spot of 93; the cookie chain enjoyed a 45.5% sales increase.

Orange Julius dropped out of the Top 100 this year, while newcomer J.B.'s Restaurants slid into the 100th spot.

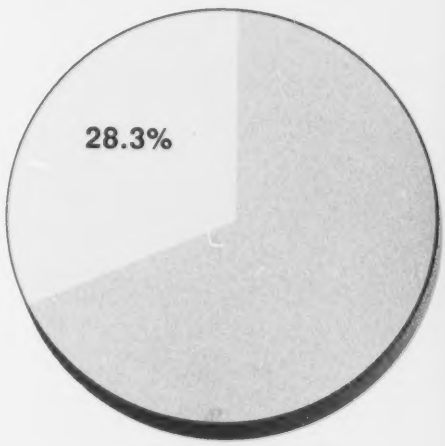
TOP 100's SHARE OF MARKET



1988 U.S. Sales

☐ Top 100 Chains
$63.3 billion

☐ Total Eating Places
$133.3 billion



1988 U.S. Units

☐ Top 100 Chains
85,961

☐ Total Eating Places
303,800

SOURCE: Technomic Inc. and *RB* Restaurant Growth Index

THE TOP 100 RESTAURANT CHAINS RANKED BY SALES AND UNITS

Sales Rank	Chain	U.S. Systems Sales ($000) 1988	1987	%Sales Change '87-'88	Avg. Unit Vol. ($000) 1988	U.S. System Units 1988	1987	%Unit Change '87-'88	Unit Rank
1	MCDONALD'S	$11,380,212	$10,576,266	7.6%	$1,600	7,907	7,567	4.5%	1
2	BURGER KING	4,943,576	4,777,004	3.5	984	5,212	4,884	6.7	3
3	KENTUCKY FRIED CHICKEN	2,900,000	2,700,000	7.4	597	4,899	4,814	1.8	4
4	PIZZA HUT	2,800,000	2,500,000	12.0	520	5,707	5,394	5.8	2
5	HARDEE'S	2,725,000	2,534,000	7.5	920	3,076	2,871	7.1	8
6	WENDY'S	2,690,000	2,627,899	2.4	759	3,521	3,601	(2.2)	7
7	DOMINO'S PIZZA	2,300,000	1,980,000	16.2	485	4,595	4,121	11.5	5
8	INTL. DAIRY QUEEN	1,900,000	1,630,000	16.6	408	4,556	4,422	3.0	6
9	TACO BELL	1,600,000	1,500,000	6.7	589	2,878	2,696	6.8	9
10	DENNY'S	1,268,000	1,194,600	6.1	1,100	1,234	1,167	5.7	17
11	ARBY'S	1,160,000	988,000	17.4	610	2,049	1,764	16.2	13
12	RED LOBSTER	1,140,000	1,050,000	8.6	2,700	430	397	8.3	45
13	BIG BOY	1,000,000	950,000*	5.3	990	950	950	0.0	21
14	LITTLE CAESARS	908,000	725,000	25.2	465	2,124	1,785	19.0	12
15	SIZZLER	790,000	705,400	12.0	1,500	588	542	8.5	32
16	JACK IN THE BOX	775,000	655,104	18.3	900	957	897	6.7	20
17	LONG JOHN SILVER'S	761,513	743,441	2.4	526	1,469	1,435	2.4	14
18	SHONEY'S	750,000*	677,000*	10.8	1,371	643	604	6.5	29
19	PONDEROSA	710,000*	699,731	1.5	1,060	686	690	(0.6)	25
20	DUNKIN' DONUTS	658,000	629,600	4.5	480	1,443	1,390	3.8	15
21	ROY ROGERS	630,000*	557,500*	13.0	1,100	609	556	9.5	30
22	FRIENDLY RESTAURANTS	600,000*	572,400*	4.8	710	848	842	0.7	22
23	SUBWAY	600,000	360,000	66.7	223	2,858	1,810	57.9	10
24	BONANZA	570,533	529,622	7.7	943	534	540	(1.1)	36
25	CHURCH'S FRIED CHICKEN	559,300	533,900*	4.8	376	1,281	1,422	(9.9)	16
26	BENNIGAN'S	500,000	455,000	9.9	2,300	222	211	5.2	63
27	POPEYES FAMOUS FRIED CHICKEN	485,000	445,000*	9.0	725	715	707	1.1	24
28	CARL'S JR.	480,574	399,327*	20.3	1,000	482	446	8.1	41
29	BASKIN-ROBBINS	475,000*	460,000*	3.3	195	2,449	2,511	(2.5)	11
30	WESTERN SIZZLIN'	448,000	468,000	(4.3)	774	579	598	(3.2)	33
31	CHI-CHI'S	422,892	425,000	(0.5)	2,173	192	205	(6.3)	72
32	EL TORITO	415,000*	400,000*	3.8	2,250	188	185	1.6	73
33	GOLDEN CORRAL	400,000*	381,000*	5.0	790	504	493	2.2	40
34	TGI FRIDAY'S	383,000	364,100	5.2	3,025	133	128	3.9	83
35	PERKINS FAMILY RESTAURANTS	375,022	343,715	9.1	1,230	341	334	2.1	51
36	RAX	355,777	366,015	(2.8)	699	520	526	(1.1)	38
37	CAPTAIN D'S	345,000	329,000	4.9	630	595	574	3.7	31
38	SONIC INDUSTRIES	341,000	306,000	11.4	356	985	953	3.4	19
39	MORRISON'S FAMILY DINING	319,200	300,000	6.4	1,900	168	158	6.3	74
40	CHILI'S	297,960	226,110	31.8	2,064	159	126	26.2	76
41	PIZZA INN	295,000*	285,000*	3.5	480	666	672	(0.9)	27
42	INTL. HOUSE OF PANCAKES	291,300	279,000	4.4	701	448	440	1.8	43
43	BOB EVANS FARMS INC.	285,526	249,191	14.6	1,400	221	194	13.9	64
44	WHITE CASTLE	282,720	282,631	0.0	1,235	235	229	2.6	60
45	WHATABURGER RESTAURANTS	272,000	210,000*	29.5	645	422	345	22.3	46
46	FURR'S/BISHOP'S CAFETERIAS	271,016	256,157	5.8	N/A	157	153	2.6	77
47	ROUND TABLE PIZZA	267,000	250,000	6.8	508	540	515	4.9	35
48	LUBY'S CAFETERIAS	264,000	239,000	10.5	2,360	117	108	8.3	89
49	GROUND ROUND	260,975	228,600	14.2	1,245	212	192	10.4	65
50	SHOWBIZ PIZZA/CHUCK E. CHEESE	260,924	239,055	9.1	990	258	262	(1.5)	57

* Technomic estimate
NOTE: Results are for the year ended December, 1988; data reflects domestic operations only

continued on page 124

THE TOP 100 RESTAURANT CHAINS RANKED BY SALES AND UNITS

Sales Rank	Chain	U.S. Systems Sales ($000) 1988	1987	%Sales Change '87-'88	Avg. Unit Vol. ($000) 1988	U.S. System Units 1988	1987	%Unit Change '87-'88	Unit Rank
51	PICCADILLY CAFETERIAS	$251,883	$219,609	14.7%	$1,999	126	118	6.8%	84
52	QUINCY'S FAMILY STEAK HOUSES	250,900	221,500	13.3	1,170	211	215	(1.9)	66
53	WAFFLE HOUSE	250,000*	235,000*	6.4	395	650	635	2.4	28
54	MARIE CALLENDER'S	245,000*	220,000*	11.4	2,000	148	135	9.6	81
55	OLIVE GARDEN	244,000	137,000	78.1	2,500	125	70	78.6	85
56	RYAN'S FAMILY STEAK HOUSES	234,000	185,000	26.5	2,184	122	95	28.4	86
57	VILLAGE INN PANCAKE HOUSES	232,387	219,700	5.8	938	256	272	(5.9)	58
58	CHICK-FIL-A	232,189	202,724	14.5	622	386	363	6.3	48
59	GODFATHER'S PIZZA	231,000	252,516	(8.5)	440	531	590	(10.0)	37
60	CARVEL ICE CREAM	220,000*	245,000*	(10.2)	335	730	750	(2.7)	23
61	TONY ROMA'S	220,000*	200,000*	10.0	2,350	106	96	10.4	91
62	DEL TACO/NAUGLES	210,000	210,382*	(0.2)	580	380	366	3.8	49
63	TCBY	210,000	121,200	73.3	224	1,175	822	42.9	18
64	STEAK & ALE	200,000*	235,000	(14.9)	1,400	160	170	(5.9)	75
65	STUART ANDERSON'S	196,350	245,000*	(19.9)	2,310	85	117	(27.4)	95
66	BAKERS SQUARE	189,354	155,788	21.5	1,250	150	138	8.7	79
67	WYATT CAFETERIAS	189,000	189,000	0.0	1,600	120	119	0.8	87
68	GRANDY'S	180,790	180,000	0.4	895	202	201	0.5	69
69	WESTERN STEER	179,626	189,000*	(5.0)	940	192	194	(1.0)	71
70	KRYSTAL	178,000	184,000	(3.3)	765	232	243	(4.5)	61
71	COUNTRY KITCHEN	167,300	160,600	4.2	661	252	252	0.0	59
72	PO FOLKS	162,150	182,500	(11.2)	1,150	141	163	(13.5)	82
73	BRAUM ICE CREAM STORES	160,000*	145,000	10.3	780	210	195	7.7	67
74	MRS. FIELDS COOKIES	160,000*	110,000*	45.5	345	550	400	37.5	34
75	BROWN DERBY RESTAURANTS	155,000*	150,800*	2.8	2,950	52	52	0.0	100
76	SBARRO	154,400	116,000	33.1	485	288	212	35.8	54
77	MISTER DONUT	150,930	150,360	0.4	292	516	537	(3.9)	39
78	CRACKER BARREL OLD COUNTRY STORES	147,823	110,621	33.6	2,360	67	56	19.6	97
79	LEE'S FAMOUS RECIPE	145,500	137,000	6.2	561	283	275	2.9	56
80	MAZZIO'S	145,000*	135,000	7.4	620	285	279	2.2	55
81	SHAKEY'S PIZZA	145,000	142,000*	2.1	627	231	254	(9.1)	62
82	WINCHELL'S DONUT HOUSES	145,000*	150,953	(3.9)	220	671	727	(7.7)	26
83	MR. GATTI'S	143,000*	140,000	2.1	475	325	337	(3.6)	53
84	FUDDRUCKER'S	138,000	129,629	6.5	1,245	117	116	0.9	88
85	PAPA GINO'S	132,000	117,500	12.3	650	207	192	7.8	68
86	A&W RESTAURANTS	131,700	126,600	4.0	328	476	476	0.0	42
87	WIENERSCHNITZEL/HAMBURGER STAND	130,029	128,688	1.0	392	328	327	0.3	52
88	RUBY TUESDAY	128,000	94,500	35.4	1,800	80	63	27.0	96
89	CHART HOUSE	125,000*	108,000*	15.7	2,280	58	54	7.4	99
90	KETTLE RESTAURANTS	123,041	120,110	2.4	613	195	207	(5.8)	70
91	EL POLLO LOCO	120,900	75,000	61.2	1,1000	149	83	79.5	80
92	YORK STEAK HOUSE	118,000*	132,683	(11.1)	1,180	100	111	(9.9)	93
93	TACO JOHN'S	116,000	104,000	11.5	273	448	424	5.7	44
94	BOJANGLES	115,000*	158,280	(27.3)	715	151	222	(32.0)	78
95	EL CHICO	111,504	110,900	0.5	1,095	106	108	(1.9)	92
96	LYONS RESTAURANTS	110,000	103,000	6.8	1,800	65	62	4.8	98
97	TASTEE FREEZ	110,000	103,800	6.0	267	404	432	(6.5)	47
98	WAG'S	110,000*	100,000*	10.0	1,200	91	87	4.6	94
99	BLIMPIE	107,400	93,600	14.7	325	350	292	19.9	50
100	JB'S RESTAURANTS	101,000	107,000	(5.6)	895	116	110	5.5	90

* Technomic estimate
NOTE: Results are for the year ended December, 1988; data reflects domestic operations only

1 McDONALD'S CORP.

Oak Brook, IL

RANK BY UNITS: 1

U.S. Systemwide Sales:	**$11,380,212,000**
U.S. Systemwide Units:	**7,907**

Seeking to build sales during its weakest daypart—dinner—the burger giant is testing at least two major products in different markets. At press time, McDonald's was testing a 14-in. pizza in Evansville, IN, and Owensboro, KY. At the same time, units in Dallas and Houston are serving bone-in fried chicken. McDonald's is also stepping up expansion in the health-care segment, a move which prompted a teaming with Mobile, AL-based Morrison's Custom Management.

2 BURGER KING

(Grand Metropolitan PLC)
Miami, FL

RANK BY UNITS: 3

U.S. Systemwide Sales:	**$4,943,576,000**
U.S. Systemwide Units:	**5,212**

Burger King's London-based parent company, Grand Metropolitan PLC, has indicated that the number-two burger chain will play an instrumental role in Grand Met's international strategy. Meanwhile, under BK's new chief executive Barry Gibbons, one-third of the corporate work force was laid off; its national ad agency NW Ayer, New York, was replaced; Distron, the company's troubled distribution subsidiary, was restructured; and a major new ad campaign was launched.

3 KENTUCKY FRIED CHICKEN

(PepsiCo Inc.)
Louisville, KY

RANK BY UNITS: 4

U.S. Systemwide Sales:	**$2,900,000,000**
U.S. Systemwide Units:	**4,899**

KFC saw transition at the top when Richard Mayer, chairman and CEO since 1982, resigned to assume the presidency of General Foods USA. He was replaced by John M. Cranor III, formerly president of Pepsi-Cola East. Despite the changing of the guard, KFC is going ahead with plans to build its new "state-of-the-art" 38 Series stores, which include a $20-million computer system. It is also continuing to replace Extra Crispy Chicken with the newer Extra Tasty Crispy Chicken.

4 PIZZA HUT

(PepsiCo Inc.)
Wichita, KS

RANK BY UNITS: 2

U.S. Systemwide Sales:	**$2,800,000,000**
U.S. Systemwide Units:	**5,707**

Pizza Hut jumped past hamburger chains Hardee's and Wendy's to capture the fourth spot this year, indicating that pizza is certainly a category to reckon with. It also indicates that the chain's strategy to put pizza in as many points-of-sale is paying off. Recently, it even began to sell pizza out of kiosks in 7-Eleven stores. A new, scrappy advertisement comparing McDonald's in-test pizza with the Pizza Hut product shows that the chain does not intend to give ground gracefully.

5 HARDEE'S

(Imasco Ltd.)
Rocky Mount, NC

RANK BY UNITS: 8

U.S. Systemwide Sales:	**$2,725,000,000**
U.S. Systemwide Units:	**3,076**

Although still a regional chain, Hardee's surpassed national chain Wendy's in terms of U.S. sales this year. Aggressive franchising and a high average unit volume have all contributed to its fast-track growth record. Currently, the chain is testing a grilled chicken breast biscuit in about two-thirds of its restaurants, and plans to have it in all of the stores soon. It also debuted a $40-million ad campaign earlier this year.

6 WENDY'S

Dublin, OH

RANK BY UNITS: 7

U.S. Systemwide Sales:	**$2,690,000,000**
U.S. Systemwide Units:	**3,521**

This year saw the return of Wendy's founder Dave Thomas as a spokesman in a new round of TV ads, which, executives hope, will help pull Wendy's out of its slump. The company's second-quarter income remained flat as a result of price promotions and higher food costs. For the first six months, operating profits dropped 22% to $10.2 million despite a 2% gain in revenues. Wendy's is currently developing a number of new chicken items, as well as a revamped breakfast menu.

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MAJOR ACQUISITIONS '88

Acquirer	Acquisition (Parent)	1988 U.S. Sales of Acquisition ($000,000)
AWR II	Naugles (Collins Foods)	$110
AWR II	Del Taco	100
Daka Intl.	Fuddruckers	138
Foodmaker Inc.	Chi-Chi's	423
Godfather's Inc. (LBO)	Godfather's (Pillsbury)	231
Marriott Corp.	Wags (Walgreen's)	110
Metromedia Co.	Ponderosa	710
Gilbert/Robinson Holding Corp. (LBO)	Gilbert/Robinson (Restaurant Enterprises Group)	270
Tennessee Rest. Co.	Friendly Ice Cream (Hershey)	600
Triton Group Ltd.	Western Sizzlin'	448

MAJOR ACQUISITIONS '89

Acquirer	Acquisition (Parent)	1988 U.S. Sales of Acquisition ($000,000)
Benale Corp.	Steak and Ale	$200
Benale Corp.	Bennigan's	500
Grand Metropolitan	Burger King (Pillsbury)	4,944
A. Copeland Ent.	Church's Fried Chicken	559
Marie Callender's (LBO)	Marie Callender's (Ramada)	245
Kettle Rests. (LBO)	Kettle Rests.	123
Inno-Pacific Holdings	Shakey's	145
Steakhouse Acquisitions	York Steak House (34 units)	NA
Coniston Partners	TW Services (incl. Denny's El Pollo Loco, and Quincy's)	1,700
Metromedia Co.	Bonanza Rests. (USA Cafes)	571
Castle Harlan	Jerrico	620

7 DOMINO'S PIZZA

Ann Arbor, MI

RANK BY UNITS: 5

U.S. Systemwide Sales:	**$2,300,000,000**
U.S. Systemwide Units:	**4,595**

With its 30-minute delivery guarantee, Domino's is finding speed can cut both ways. Charges of encouraging reckless driving prompted the chain to launch a major ad campaign declaring that the company is committed to safe driving. At the same time, founder and chairman Tom Monaghan has said that he would consider selling the company if the offer was right. Meanwhile, Domino's got a new president and COO—P. David Black—and rolled out pan pizza nationwide.

8 INTERNATIONAL DAIRY QUEEN

Minneapolis, MN

RANK BY UNITS: 6

U.S. Systemwide Sales:	**$1,900,000,000**
U.S. Systemwide Units:	**4,556**

Dairy Queen recently completed a successful 300-store test for soft frozen yogurt, and expects to roll the new product nationwide in early 1990. Participating stores will offer yogurt in cones and cups with various toppings. The company also reported a 20% net income rise to $7.2 million during the second quarter, attributing the gains to such new product introductions as ice cream cakes and logs. Improved cost controls were also cited.

9 TACO BELL

(PepsiCo Inc.)
Irvine, CA

RANK BY UNITS: 9

U.S. Systemwide Sales:	**$1,600,000,000**
U.S. Systemwide Units:	**2,878**

Taco Bell got a boost from a major tie-in with the hugely successful "Batman" film this summer. The Mexican fast-food chain backed the promotion with $5 million in print, radio, and TV ads. Meanwhile, Taco Bell continues to make inroads in the highly competitive Mexican market with its value-oriented menu. Commanding about 60% of the market, the chain enjoyed a 22% increase in customer counts during the last quarter.

10 DENNY'S

(Coniston Partners)
La Mirada, CA

RANK BY UNITS: 17

U.S. Systemwide Sales:	**$1,268,000,000**
U.S. Systemwide Units:	**1,234**

The acquisition of parent-company TW Services for $1.7 billion is not expected to affect Denny's. However, Coniston did sell off the 657-unit Winchell's Donut Houses—of which Denny's owned 42%—to Shato Holdings Ltd. of Vancouver, Canada. Meanwhile, Denny's advertisements are concentrating on value-added price promotion through the use of the "Rose and Edith Corlick" campaign. Also, a new $6 million POS computer system has been installed in 300 units.

11 ARBY'S

(DWG Corp.)
Atlanta, GA

RANK BY UNITS: 13

U.S. Systemwide Sales:	**$1,160,000,000**
U.S. Systemwide Units:	**2,049**

Arby's is once again facing an uncertain future. Franchisees are outraged over the firing of president and CEO Leonard Roberts by Victor Posner, who owns controlling interest in parent DWG. Posner further aggravated franchisees by appointing Irving Riese, a principal in the New York City-based Riese Organization, to replace Roberts. Meanwhile, eight franchisees—who control about half of Arby's units—continue their bid to take over the roast-beef chain.

12 RED LOBSTER

(General Mills Restaurant Group)
Orlando, FL

RANK BY UNITS: 45

U.S. Systemwide Sales:	**$1,140,000,000**
U.S. Systemwide Units:	**430**

During the first half of 1989, Red Lobster converted the 26 Seafood Broiler restaurants it acquired last year, giving the chain a strong presence in the Southern California market. At the same time, Red Lobster also opened its first units in the Pacific Northwest. During 1990, Red Lobster expects to open 20 new units in the Northwest and other underdeveloped markets.

13 BIG BOY

(Elias Brothers Restaurants Inc.)
Warren, MI

RANK BY UNITS: 21

U.S. Systemwide Sales:	**$1,000,000,000**
U.S. Systemwide Units:	**950**

Elias Brothers acquired the Boury Corp., operator of 72 Elby's Family Restaurants, in 1989. The chain, which left the Big Boy system in 1984, has been converted back. A systemwide menu and new signage were developed this year for national use to help increase customer identification in the chain's various geographical locations. While the company is pursuing new unit development, it is also examining the possible acquisitions of chains in the Southwest and Northeast.

14 LITTLE CAESARS

Farmington, MI

RANK BY UNITS: 12

U.S. Systemwide Sales:	**$908,000,000**
U.S. Systemwide Units:	**2,124**

Little Caesars expanded its international reach earlier this year when it purchased the 86-unit Mother's, a Canadian-based pizza-and-pasta chain. Immediate plans do not call for the conversion of the Mother's units to Little Caesars, however. The chain also added to its menu this year when it rolled out a single-serving Baby Pan! Pan! pizza. Little Caesars will continue to emphasize its carry-out-only format and two-for-one pricing.

15 SIZZLER

(Collins Foods International Inc.)
Los Angeles, CA

RANK BY UNITS: 32

U.S. Systemwide Sales:	**$790,000,000**
U.S. Systemwide Units:	**588**

After logging steady growth for nearly a decade, Sizzler experienced something of a slowdown during the past year. Experts attribute this to the intense competition among fast-food chains in Southern California, where Sizzler has about 40% of its units. Nevertheless, Sizzler notched a 13% net income increase to $6 million for the first quarter. With five new units opened already this year, the company is planning 15 more.

16 JACK IN THE BOX

(Foodmaker Inc.)
San Diego, CA

RANK BY UNITS: 20

1988 U.S. Systemwide Sales:	**$775,000,000**
1988 U.S. Systemwide Units:	**957**

Jack In The Box continued to make menu development a priority in 1989. In February, the chain introduced a grilled chicken filet sandwich. It followed that introduction with a scrambled egg pocket breakfast sandwich in May, and a grilled sourdough burger in June. Parent Foodmaker Inc. plans to have approximately 30 new restaurants opened by year's end, almost all in the chain's primary markets in Western and Southwestern states.

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17 LONG JOHN SILVER'S SEAFOOD SHOPPES

(Jerrico Inc.)
Louisville, KY

RANK BY UNITS: 14

1988 U.S. Systemwide Sales:	**$761,513,000**
1988 U.S. Systemwide Units:	**1,469**

The seafood chain must regenerate guest excitement with fresh advertising, promotions, and greater menu variety, according to corporate executives. The return of Anthony Lavely as executive vice president of marketing should help in all three areas. Parent Jerrico Inc. was bought recently by an investment group controlled by Castle Harlan and DJS/Inverness & Co. for $620 million.

18 SHONEY'S

(Shoney's Inc.)
Nashville, TN

RANK BY UNITS: 29

1988 U.S. Systemwide Sales:	**$750,000,000 (E)**
1988 U.S. Systemwide Units:	**643**

Parent Shoney's Inc., which also operates the Captain D's seafood and Lee's Famous Recipe chicken chains, as well as several specialty dinner houses, notched record revenue and pretax income in this year's third quarter. J. Mitchell Boyd, chief executive officer and vice chairman of Shoney's Inc., succeeded Ray Danner as company chairman in June. The company has remained a strong performer in the wake of its recapitalization.

19 PONDEROSA

(Metromedia Co.)
Dayton, OH

RANK BY UNITS: 25

1988 U.S. Systemwide Sales:	**$710,000,000 (E)**
1988 U.S. Systemwide Units:	**686**

With the recent addition of Bonanza, parent Metromedia Co. now owns the largest group of steak houses in the U.S., with approximately 1,350 units. One estimate places the combined chains' market share at more than 33%. J. Michael Jenkins—formerly the president and chief executive of TGI Friday's—took the helm as the budget steakhouse chain's president and chief executive officer in May, replacing Frank Holdraker, who resigned.

20 DUNKIN' DONUTS

(Dunkin' Donuts Of America Inc.)
Randolph, MA

RANK BY UNITS: 15

1988 U.S. Systemwide Sales:	**$658,000,000**
1988 U.S. Systemwide Units:	**1,443**

Much of the effort expended this year by president Robert Rosenberg went toward fending off an as-yet-unresolved hostile takeover attempt by Kingsbridge Capital Group (a unit of Unicorp Canada Corp.) and Cara Operations Ltd. At press time, Dunkin's board had rejected the $45-per-share takeover offer. Early in 1989, the chain launched a Dunkin' Donuts toasted-oats cereal. Menu introductions included bagel sandwiches and rolls.

21 ROY ROGERS

(Marriott Corp.)
Washington, DC

RANK BY UNITS: 30

1988 U.S. Systemwide Sales:	**$630,000,000 (E)**
1988 U.S. Systemwide Units:	**609**

Though the chain stayed within its current geographic boundaries throughout 1989, expansion into at least one new market (as yet undetermined) is set for early 1990. Several new units in Florida opened this year as part of the new Marriott Travel Plaza operations. Sales were flat despite several successful menu introductions, including the pre-dressed Express Burger, a chicken sandwich, and Wild Wings—a chicken wing item with four sauces.

22 FRIENDLY RESTAURANTS

(Tennessee Restaurant Co.)
Wilbraham, MA

RANK BY UNITS: 22

1988 U.S. Systemwide Sales:	**$600,000,000 (E)**
1988 U.S. Systemwide Units:	**848**

Purchased by the Memphis-based Tennessee Restaurant Co. (TRC) over a year ago, the chain has slowed unit expansion significantly in favor of a systemwide interior/exterior unit renovation program. Recent menu expansion has brought the addition of a new melt-sandwich line and the reformulation of the chain's Big Beef hamburger line. TRC chairman Don Smith recently took the helm as president following the retirement of John Cauley.

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23 SUBWAY

(Doctors Associates Inc.)
Milford, CT

RANK BY UNITS: 10

1988 U.S. Systemwide Sales:	**$600,000,000**
1988 U.S. Systemwide Units:	**2,858**

Not content with an industry-pacing growth rate of better than 1,000 new units per year, founder and president Fred DeLuca and partner Peter Buck recently acquired the 14-unit Cajun Joe's Fried Chicken & Biscuits concept as a growth vehicle for landlocked franchisees. DeLuca bought the 24-unit Suburpia chain back in January, converting 18 units and shuttering the rest.

24 BONANZA

(Metromedia Co.)
Dallas, TX

RANK BY UNITS: 36

1988 U.S. Systemwide Sales:	**$570,533,000**
1988 U.S. Systemwide Units:	**534**

Recently purchased by telecommunications conglomerate Metromedia Co., the parent of the 750-unit Ponderosa chain, Bonanza has joined segment rivals in cutting the amount of red meat on its menu due to declining sales, and offering more chicken and seafood to go with its extensive salad bar. Bonanza also expanded the rollout of its Lighter Fare salad bar items.

25 CHURCH'S FRIED CHICKEN

(A. Copeland Enterprises Inc.)
San Antonio, TX

RANK BY UNITS: 16

1988 U.S. Systemwide Sales:	**$559,300,000**
1988 U.S. Systemwide Units:	**1,281**

Purchased by Popeyes owner Al Copeland earlier this year, Church's—the second-largest fried chicken chain in terms of units—has rolled out several nonfried products. An important goal for Copeland will be to increase Church's low average per-person check; an "upscale" mall concept featuring brighter, more contemporary decor will help accomplish that. About 400 units will be converted to Popeyes by 1991; several will be sold.

26 BENNIGAN'S

(S&A Restaurant Corp.)
Dallas, TX

RANK BY UNITS: 63

1988 U.S. Systemwide Sales:	**$500,000,000**
1988 U.S. Systemwide Units:	**222**

Growth plans are on hold at Bennigan's. At press time, Bennigan's executives would not comment on Benale Corp.'s buyout of the chain. Year-to-year per-unit sales were down 3% for fiscal 1988, due primarily to drooping liquor sales. Bennigan's has reportedly cut way back on advertising. What was once a large regional advertising campaign in the West "has been reduced to next to nothing," according to an insider.

27 POPEYES FAMOUS FRIED CHICKEN

(A. Copeland Enterprises)
Jefferson, LA

RANK BY UNITS: 24

1988 U.S. Systemwide Sales:	**$485,000,000**
1988 U.S. Systemwide Units:	**715**

Now the second-largest fast-food chicken operator in the industry with the addition of Church's, Popeyes is reaching out to new frontiers with its new Super Popeyes concept, which offers an expanded menu featuring charbroiled chicken dishes and alcoholic beverages. Many of the purchased Church's units will be converted to Popeyes. Expansion capital may be thinned by the Church's acquisition and Copeland's other concepts.

28 CARL'S JR.

(Carl Karcher Enterprises Inc.)
Anaheim, CA

RANK BY UNITS: 41

1988 U.S. Systemwide Sales:	**$480,574,000**
1988 U.S. Systemwide Units:	**482**

In a year in which the company was buffeted by insider trading charges, a lawsuit, and consumer protests, Carl's Jr. nonetheless recorded its second straight year of record profits. Average per-store volume rose above the $1-million mark for the first time. New product introductions included the Jr. Crisp Burrito—Carl's first foray into finger foods—and a promotional guacamole chicken sandwich. The chain also debuted in Japan in May.

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29 BASKIN-ROBBINS
Glendale, CA

RANK BY UNITS: 11
1988 U.S. Systemwide Sales: $475,000,000 (E)
1988 U.S. Systemwide Units: 2,449

During the last year, the chain concentrated more on expanding its product line than its number of units. The new Low, Lite 'n Luscious line of low-fat frozen dairy desserts comes in four flavors: pineapple coconut, strawberry, mint chocolate chip, and Jamoca Swiss almond. Also added were low- and nonfat soft-serve frozen yogurt, which includes such flavors as peppermint twist, almond amaretto, piña colada, black cherry, and chocolate-chocolate mint.

30 WESTERN SIZZLIN'
(Triton Group Ltd.)
Dallas, TX

RANK BY UNITS: 33
1988 U.S. Systemwide Sales: $448,000,000
1988 U.S. Systemwide Units: 579

Purchased last year by Triton Group Ltd., a La Jolla, CA-based holding company, and a management group led by Pizza Hut cofounder Frank Carney and veteran operator Michael Stack, the chain plans to double in size by 1995. Expansion into Canada will begin by the end of this year, and is expected to grow to 150 restaurants over the next 10 years.

31 CHI-CHI'S
(Foodmaker Inc.)
Louisville, KY

RANK BY UNITS: 72
1988 U.S. Systemwide Sales: $422,892,000
1988 U.S. Systemwide Units: 192

Chi-Chi's has continued to reap the rewards of its last two years' investments in store remodeling, TV advertising, and personnel compensation: Comparable store sales are up 4% to 5%, and management turnover has dropped from 68% to 28%. Expansion plans call for 21 new units in the coming year, with new stores scaling down by nearly half to 6,000-7,000 sq. ft. A spicy Tex-Mex menu is due to be added to Chi-Chi's traditional Mexican fare.

32 EL TORITO
(Restaurant Enterprises Group)
Irvine, CA

RANK BY UNITS: 73
1988 U.S. Systemwide Sales: $415,000,000 (E)
1988 U.S. Systemwide Units: 188

El Torito launched into marketing this July with its first TV advertising campaign in Southern California; sales increased by 10%. A second campaign will follow in the fourth quarter; the chain will then roll out TV advertising to its other markets. A new menu will be introduced systemwide in February, with an emphasis on healthful products in El Torito's Sonoran style. Dishes will include whole wheat quesadillas, mahi-mahi, and lobster fajitas.

33 GOLDEN CORRAL
(Investors Management Corp.)
Raleigh, NC

RANK BY UNITS: 40
1988 U.S. Systemwide Sales: $400,000,000 (E)
1988 U.S. Systemwide Units: 504

Although this steak-house chain has not backed away from its emphasis on beef—USDA Choice fresh beef is still cut in stores daily—it has repositioned itself in the last three years by adding extensive food bars to 80% of its units. The food bars may include full sections devoted to everything from tacos, to pasta, to a country bar featuring chicken pot pie and mashed potatoes. In the coming year, the concept will be refined to reflect regional tastes.

34 TGI FRIDAY'S
(Carlson Companies Inc.)
Dallas, TX

RANK BY UNITS: 83
1988 U.S. Systemwide Sales: $333,000,000
1988 U.S. Systemwide Units: 133

The casual chain is focusing its expansion efforts for the first time on franchising; plans are to sell 19 company-owned stores and territorial development rights to franchisees by January. The five-year growth plan calls for a total of 70 to 100 franchised and 175 to 200 company-owned units. The shareholders' move to take the chain private should be finalized by year's end; no impact on operations is anticipated.

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35 PERKINS FAMILY RESTAURANTS

(Tennessee Restaurant Co.)
Memphis, TN

RANK BY UNITS: 51

1988 U.S. Systemwide Sales:	$375,022,000
1988 U.S. Systemwide Units:	341

The acquisition and conversion of nine Friendly's restaurants in Orlando this summer boosted this family-dining chain's Florida presence to 43 units. Other growth will be primarily through franchising, with up to 50 new units expected per year. Perkins has begun rolling out its in-store bakeries systemwide; one-third of the chain now has them. New menu items include skillet breakfasts, bread bowl salads, and traditional Down Home dinners.

36 RAX RESTAURANTS

Columbus, OH

RANK BY UNITS: 38

1988 U.S. Systemwide Sales:	$355,777,000
1988 U.S. Systemwide Units:	520

This fast-food sandwich chain suffered $13.5 million in losses last year. But Ira Hermann, who took over as president in the spring, hopes to turn Rax around by overhauling the franchise royalty structure and by refocusing the chain's image with new products, a revamped salad bar concept, and increased marketing support. Three new items—a chicken sandwich, Twisty fries, and prepackaged salads—already account for 8% to 15% of sales.

37 CAPTAIN D'S

(Shoney's Inc.)
Nashville, TN

RANK BY UNITS: 31

1988 U.S. Systemwide Sales:	$345,000,000
1988 U.S. Systemwide Units:	595

Under new chairman and CEO J. Mitchell Boyd, Shoney's fast-food seafood chain is eyeing expansion to the Pacific Rim. For the third quarter ended August 6, 1989, comparable store sales increased 5%; menu prices increased 3.2%, for a real sales gain of 1.8%. Average unit sales at company-owned stores are $630,000, the highest for any major fast-seafood chain, the company says.

38 SONIC INDUSTRIES

Oklahoma City, OK

RANK BY UNITS: 19

1988 U.S. Systemwide Sales:	$341,000,000
1988 U.S. Systemwide Units:	985

The 30-year-old Sonic, a 1950s-style drive-in burger chain, continues to enjoy the growth that began to accelerate with its buy-out by management in 1985. Fiscal '88 saw the opening of 43 units, followed by 57 start-ups in '89, with another 75 due next year. Development is focused on the Southwest and Midwest. A retrofit program, costing $35,000 to $45,000 per unit, captured sales increases of 25%.

39 MORRISON'S FAMILY DINING

(Morrison's, Inc.)
Mobile, AL

RANK BY UNITS: 74

1988 U.S. Systemwide Sales:	$319,200,000
1988 U.S. Systemwide Units:	168

Morrison's cafeteria concept will continue to consolidate its business south of the Mason-Dixon line with the addition of four stores next year. Growth to the north is limited for the present in part by the conditions of the labor market; each unit employs 60 people. The chain's remodeling efforts continue, as does its development of off-premise operations. Freestanding take-out Morrison's units may be in the offing.

40 CHILI'S

Dallas, TX

RANK BY UNITS: 76

1988 U.S. Systemwide Sales:	$297,960,000
1988 U.S. Systemwide Units:	159

Chili's continues on its growth trend; it ended its fiscal year June 30, 1989 with $351 million in systemwide sales and 180 units. And the chain will continue to roll out its established formula with a projected 35 to 40 new units in the coming year; new markets will include New York City, Madison, WI, and Seattle, WA. The company has also begun to expand the Grady's chain it acquired last February, adding four units to the original six .

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41 PIZZA INN

(Pantera's Corp.)
Dallas, TX

RANK BY UNITS: 27

1988 U.S. Systemwide Sales:	**$295,000,000 (E)**
1988 U.S. Systemwide Units:	**666**

At press time, Pantera's said a filing under Chapter XI bankruptcy laws was imminent. The firm has struggled with repaying its debt since its $48 million acquisition of the Pizza Inn chain in 1987. Pantera's decision to add an Italian buffet to the format is now the subject of a shareholders' lawsuit that claims it was too risky and reduced the chain's competitiveness.

42 INTERNATIONAL HOUSE OF PANCAKES

North Hollywood, FL

RANK BY UNITS: 43

1988 U.S. Systemwide Sales:	**$291,300,000**
1988 U.S. Systemwide Units:	**448**

IHOP expects to expand by 25 units this year and for each of the next three years. It will enter new markets such as Phoenix and Denver, and bolster its presence in Dallas and Chicago. "We're a 30-year-old company that got started two years ago when we completed our LBO," says Richard Herzer, president. IHOP continues to focus on building its dinner business. Menu revisions will entail streamlining items for better execution.

43 BOB EVANS FARMS INC.

Columbus, OH

RANK BY UNITS: 64

1988 U.S. Systemwide Sales:	**$285,526,000**
1988 U.S. Systemwide Units:	**221**

Bob Evans intends to capitalize on the brand recognition of its wholesale sausage products in the East by beginning to open its value-oriented family restaurants in that market. The firm also expects to expand its sister chain, Owens Family Restaurants, throughout the Southwest. Five are now in operation; in time, Texas alone may see 100 units. Known for its breakfasts, Bob Evans aims to boost dinner business with an expanded menu and ad campaign.

44 WHITE CASTLE

Columbus, OH

RANK BY UNITS: 60

1988 U.S. Systemwide Sales:	**$282,720,000**
1988 U.S. Systemwide Units:	**235**

The 68-year-old burger chain has moved into the modern age of advertising and promotions over the last several years, now spending 3% to 4% of its sales on such marketing. White Castle introduced its first game promotion this year, and continues to court a younger customer base with its children's meals. The firm has branched into additional sales with a wholesale frozen food business for supermarkets.

45 WHATABURGER RESTAURANTS

Corpus Christi, TX

RANK BY UNITS: 46

1988 U.S. Systemwide Sales:	**$272,000,000**
1988 U.S. Systemwide Units:	**422**

This hamburger chain markets to adults, with a menu of built-to-order burgers, onion rings, fish sandwiches, omelet sandwiches, and pancakes; chicken fajita tacos are the newest menu item. The chain has added drive-thrus, and is open 24 hours a day. Whataburger, which has a strong presence in the Southwest, has just entered the Atlanta market. Expansion is expected to continue at a 10% to 20% annual rate.

46 FURR'S/BISHOP'S CAFETERIAS

(Furr's/Bishop's Cafeterias L.P.)
Lubbock, TX

RANK BY UNITS: 77

1988 U.S. Systemwide Sales:	**$271,016,000**
1988 U.S. Systemwide Units:	**157**

Furr's has no plans to expand its cafeteria format, but is exploring new concepts for expansion with its recently established specialty restaurant group. As many as 30 underperforming cafeterias may be converted to one of a variety of full-service restaurants. The firm has opened its first three Furr's Pie Kitchen Restaurants—full-service restaurants with salad bars—in Texas.

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47 ROUND TABLE PIZZA
San Francisco, CA

RANK BY UNITS: 35

1988 U.S. Systemwide Sales:	$267,000,000
1988 U.S. Systemwide Units:	540

This regional pizza chain is continuing to roll out delivery; 50% of the system now offers it. Remodeling has increased sales by 15% in units that have incorporated the updated look. Though 70% of its sales are pizza, Round Table is currently testing a number of menu additions, including two versions of spaghetti and meatballs.

48 LUBY'S CAFETERIAS
San Antonio, TX

RANK BY UNITS: 89

1988 U.S. Systemwide Sales:	$264,000,000
1988 U.S. Systemwide Units:	117

Luby's is continuing on its 16-year roll of record sales and earnings, and is projecting 10% annual unit growth. It branched out for the first time from its markets around its Texas stronghold to test the waters in Florida with a single unit. Take-out is now offered in about 25 units. The menu is evolving to meet local demand to include low-cholesterol and low-sodium items such as steamed vegetables and broiled chicken.

49 GROUND ROUND
(International Proteins Corp.)
South Weymouth, MA

RANK BY UNITS: 65

1988 U.S. Systemwide Sales:	$260,975,000
1988 U.S. Systemwide Units:	212

This family-dining chain seems to have succeeded in its turnaround; a more varied menu, which now includes fish and chicken as well as the signature babyback ribs and other meat dishes, has played a key role. The chain has converted all but five of the 20 Stuart Anderson's restaurants that it acquired last year. Ownership of Ground Round recently changed hands from Hanson PLC to IPC, a food and agriproducts firm in which Hanson has a 49% share.

50 SHOWBIZ PIZZA/ CHUCK E. CHEESE
(ShowBiz Pizza Time)
Irving, TX

RANK BY UNITS: 57

1988 U.S. Systemwide Sales:	$260,924,000
1988 U.S. Systemwide Units:	258

ShowBiz is rebuilding following its spin-off last year from hotel company INTEGRA. While its focus has shifted from the teenage market to families with two- to 12-year-olds, the pizza chain continues to emphasize in-store entertainment; 25% of revenues are derived from games and rides. With the debt from the buy-out under its belt, ShowBiz expects to grow company-owned units by 10% a year.

51 PICCADILLY CAFETERIAS
Baton Rouge, LA

RANK BY UNITS: 84

1988 U.S. Systemwide Sales:	$251,883,000
1988 U.S. Systemwide Units:	126

Piccadilly, a conservatively operated, totally company-owned cafeteria chain, has recently moved out of its home markets with expansion into the central area of California. In addition, it purchased the Ralph & Kacoo's dinner-house chain. Growth has been running at 15% annually in sales, and the chain intends to add 10 Piccadillys in fiscal 1990, as well as at least one Ralph & Kacoo's.

52 QUINCY'S FAMILY STEAK HOUSES
(Coniston Partners)
Spartanburg, SC

RANK BY UNITS: 66

1988 U.S. Systemwide Sales:	$250,900,000
1988 U.S. Systemwide Units:	211

Quincy's, operated by a major Hardee's franchisee, Spartan Food Systems, is wholly owned by Coniston Partners. While its unit total decreased in 1988, sales jumped by almost 14%. The chain intends to pull out of the unit slump by adding at least 10 new stores this year. Recent menu additions include a grilled chicken breast, and other menu changes are on the way. Average unit sales are $1.1 million.

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53 WAFFLE HOUSE

Norcross, GA

RANK BY UNITS: 28

1988 U.S. Systemwide Sales:	**$250,000,000 (E)**
1988 U.S. Systemwide Units:	**650**

This chain of 24-hour diner/coffee shops now operates in 20 states, including Georgia, Texas, Florida, Colorado, New Mexico, and Indiana. About half of the 650 units are franchised, and the chain suffers from a low average unit volume at $395,000. The menu focuses on breakfast specialties but also includes dinner items, chicken, seafood, sandwiches, and steaks.

54 MARIE CALLENDER'S

(Wilshire Restaurant Group)
Orange, CA

RANK BY UNITS: 81

1988 U.S. Systemwide Sales:	**$245,000,000 (E)**
1988 U.S. Systemwide Units:	**148**

Under the new ownership of the Wilshire Group since May, Marie Callender's has made few substantial changes. An existing marketing campaign using puns to showcase menu items has been retained, but a new 5,700-sq.-ft. unit design is in the works for smaller markets. The menu has been trimmed by over 5% already, and more items are likely to go in an attempt to focus the chain and streamline operations.

55 OLIVE GARDEN

(General Mills Restaurant Group)
Orlando, FL

RANK BY UNITS: 85

1988 U.S. Systemwide Sales:	**$244,000,000**
1988 U.S. Systemwide Units:	**125**

Olive Garden, *Restaurant Business*' 1989 Company of the Year, has racked up impressive growth numbers since its founding, and has no plans to slow down. Now in 22 states, General Mills intends to keep expanding Olive Garden into new markets, looking for abandoned restaurant properties to take over. A breakfast program is currently in test in some Florida units.

56 RYAN'S FAMILY STEAK HOUSES

Greer, SC

RANK BY UNITS: 86

1988 U.S. Systemwide Sales:	**$234,000,000**
1988 U.S. Systemwide Units:	**122**

This conservative Southern chain has recently made menu changes, and growth over the last few years has been impressive, running at 26.5% in 1988. Menu additions include a trout dinner and a chicken filet sandwich, both designed to attract a more health-conscious consumer. Its Mega Bar food bar is responsible for more than 40% of sales, placing Ryan's firmly on the turf of some of its Southern cafeteria competitors.

57 VILLAGE INN PANCAKE HOUSES

(VICORP)
Denver, CO

RANK BY UNITS: 58

1988 U.S. Systemwide Sales:	**$232,387,000**
1988 U.S. Systemwide Units:	**256**

VICORP closed 15 under-performing, unprofitable Florida Village Inns and didn't add any new units in 1989. A new menu late last year trimmed some disappointing items and added others, but the jury is still out on its success. A $938,000 average unit volume is low for the family segment, and management is concentrating on boosting unit sales. It appears that many of VICORP's recent troubles may be behind it.

58 CHICK-FIL-A

Atlanta, GA

RANK BY UNITS: 48

1988 U.S. Systemwide Sales:	**$232,189,000**
1988 U.S. Systemwide Units:	**386**

This quickly growing chain—15% in 1988—has met with tremendous success adding freestanding units. Formerly located only in malls, freestanding units generate up to over $1 million annually, while mall units are in the $600,000 range. New menu items include chargrilled chicken, with a sandwich for $1.99 (deluxe for $2.29) and a chicken salad for $2.69. A new garden salad at 99¢ was also added.

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59 GODFATHER'S PIZZA
Omaha, NB

RANK BY UNITS: 37

1988 U.S. Systemwide Sales:	**231,000,000**
1988 U.S. Systemwide Units:	**531**

Following the September 1988 buyout of Godfather's by a group of senior executives, the focus has been on maintaining quality in existing units rather than expansion. A dessert pizza—in apple or cherry and selling for $3.95—is the only new menu addition and a store remodeling program was completed before the buyout. The company's 30-minute delivery guarantee was dropped in response to consumer concern with driver safety.

60 CARVEL ICE CREAM
Yonkers, NY

RANK BY UNITS: 23

1988 U.S. Systemwide Sales:	**$220,000,000 (E)**
1988 U.S. Systemwide Units:	**730**

Carvel, which is more than 90% franchised, has low average volumes, at $335,000. Older locations are partly responsible, and upgrading is going on now. The chain has added frozen yogurt in response to competitors, and the bulk of business is still soft-serve ice cream. Frozen novelty desserts are also very important to the sales mix.

61 TONY ROMA'S
Dallas, TX

RANK BY UNITS: 91

1988 U.S. Systemwide Sales:	**$220,000,000 (E)**
1988 U.S. Systemwide Units:	**106**

This chain has found a popular—and profitable—niche, and intends to stick with it. Simple and well-prepared barbecued ribs and chicken, along with all the trimmings, have proven to be a potent combination. About 20 new units were added in 1988, and the chain hopes to add 25 to 30 this year. California and other parts of the West are targeted for growth.

62 DEL TACO/NAUGLES
(American Restaurant Group)
Newport Beach, CA

RANK BY UNITS: 49

1988 U.S. Systemwide Sales:	**$210,000,000**
1988 U.S. Systemwide Units:	**380**

Contrary to reports circulating after ARG's purchase of Naugles last year, many Naugles have been converted to Del Taco. And Del Taco is in a bruising price battle with Taco Bell for business in the California marketplace. At press time Del Taco was heavily advertising quarter-pound tacos for 25¢ in a response to Taco Bell's promotion for popular items on its menu for 59¢.

63 TCBY
Little Rock, AR

RANK BY UNITS: 18

1988 U.S. Systemwide Sales:	**$210,000,000**
1988 U.S. Systemwide Units:	**1,175**

TCBY's menu now includes nonfat frozen yogurt as well as the "Shiver," a shake with mix-ins. In May, a deal was signed with Marriott to put TCBY units in airports and on toll roads with Marriott properties. In 1990, 350 to 400 new openings are expected, 90% franchised. Advertising theme "Say goodbye to ice cream" will continue for the foreseeable future.

64 STEAK & ALE
Dallas, TX

RANK BY UNITS: 75

1988 U.S. Systemwide Sales:	**$200,000,000 (E)**
1988 U.S. Systemwide Units:	**160**

Since a management-led buyout of the struggling steak-house chain from the Pillsbury Co., executives have been huddling to rebuild its strategy for 1990. But about 10 units have been closed, and more may be shuttered. The menu is also being reformulated. The big question: to keep focused on steak or broaden menu appeal?

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65 STUART ANDERSON'S

(American Restaurant Group)
Los Altos, CA

RANK BY UNITS: 95

1988 U.S. Systemwide Sales:	$196,350,000
1988 U.S. Systemwide Units:	85

A significant drop-off in position in the Top 100 (from no. 47 last year to no. 65 now) is largely attributable to the demise of 30 units. Still strongly identified as a red meat dinner-house chain, Stuart Anderson's faces perceptual problems among consumers as it struggles to rebuild its customer base and draw new traffic.

66 BAKERS SQUARE

(VICORP)
Denver, CO

RANK BY UNITS: 79

1988 U.S. Systemwide Sales:	$189,354,000
1988 U.S. Systemwide Units:	150

The chain is broken into two divisions, the Midwest (which added units this year after a seven-year hiatus) and California, which last year finally finished absorbing the troubled acquisition of more than 80 Sambo's. New menu items include grilled chicken and stir-fry entrees designed to attract a dinner customer. They are offered at higher price points: $5 in the Midwest, $6 in California. A new prototype will be built in Northern California in mid-1990.

67 WYATT CAFETERIAS

Dallas, TX

RANK BY UNITS: 87

1988 U.S. Systemwide Sales:	$189,000,000
1988 U.S. Systemwide Units:	120

Wyatt has just opened its first new unit since an employee buyout of the company in late 1988. New units contain take-out facilities, which have proven successful so far. A down-sized unit is planned for smaller markets and a new "Wyatt Express" is in the works for food courts, with possible roll-out by the end of this year. Chicken sales are rapidly increasing, as beef continues to decline.

68 GRANDY'S

(American Restaurant Group)
Dallas, TX

RANK BY UNITS: 69

1988 U.S. Systemwide Sales:	$180,790,000
1988 U.S. Systemwide Units:	202

Fried catfish as well as some new dessert items have just been introduced in an attempt to attract more customers. Some stores are being remodeled in a lighter and brighter fashion in home markets of Dallas and Fort Worth; 15 to 20 new units will be added in 1990. New ad tag line "Fastest home cooking around" will remain in use.

69 WESTERN STEER

(WSMP Inc.)
Claremont, NC

RANK BY UNITS: 71

1988 U.S. Systemwide Sales:	$179,626,000
1988 U.S. Systemwide Units:	192

This closely held chain is the steak-house division of WSMP, which also owns Mom and Pop's Bakery and Mom and Pop's Ham House. Some menu items, including fish entrees and sandwiches, have recently been added to the menu, and a number of units have been remodeled with lighter and brighter colors. TV advertising started this year, and the chain intends to add about 15 units in 1990.

70 KRYSTAL

Nashville, TN

RANK BY UNITS: 61

1988 U.S. Systemwide Sales:	$178,000,000
1988 U.S. Systemwide Units:	232

With a new advertising theme "Definitely Different" designed to emphasize this chain's non-mainstream burger segment approach, Krystal is now prepared to begin franchising, if a double-drive-thru test unit proves successful. A new breakfast sandwich, a "Krystal Sunriser" has boosted morning business by 25% in less than a year. Another flagship product is in test, but officials won't reveal what it is.

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71 COUNTRY KITCHEN

(Carlson Companies Inc.)
Minneapolis, MN

RANK BY UNITS: 59

1988 U.S. Systemwide Sales:	**$167,300,000**
1988 U.S. Systemwide Units:	**252**

The midscale chain has added a new president/CEO plus new marketing and R&D execs to help it reach its goal of 277 units by the end of 1990. Increased cooperation with Carlson sister companies Radisson Hotels and T.G.I. Friday's will bring synergies of purchasing, marketing, and R&D. A deal to franchise 200 units in the Far East is under negotiation.

72 PO FOLKS

Nashville, TN

RANK BY UNITS: 82

1988 U.S. Systemwide Sales:	**$162,150,000**
1988 U.S. Systemwide Units:	**141**

Po Folks emerged from Chapter XI bankruptcy this year as a trimmed-down, cost-conscious country chain and had its first profitable quarter since 1985. New president John Scott's priorities are holding down costs and boosting same-store sales, currently trending up 11%. Unit expansion will occur slowly if at all. A new prototype design boosted sales 20% to 30% in four retrofitted stores.

73 BRAUM ICE CREAM STORES

Oklahoma City, OK

RANK BY UNITS: 67

1988 U.S. Systemwide Sales:	**$160,000,000 (E)**
1988 U.S. Systemwide Units:	**210**

The privately held, family-owned company sells ice cream and sandwiches to eat-in, and retails dairy goods, sausage, and fresh-baked items. Arkansas and Missouri stores are new additions to the Southwest regional chain. Plans call for remodeling 15 stores and building 15 new stores per year. The new design will expand seating from 26 to 82 and incorporate a drive-thru window. New on the menu is a prepackaged salad.

74 MRS. FIELDS COOKIES

Park City, UT

RANK BY UNITS: 34

1988 U.S. Systemwide Sales:	**$160,000,000 (E)**
1988 U.S. Systemwide Units:	**550**

Mrs. Fields remains hindered by the difficult absorption of La Petite Boulangerie and by its past real estate errors, which contributed to heavy losses in 1988 and 97 unit closures this year and last. In 1989, a joint venture deal to open shops throughout Europe could not be closed with the food company Mondial S.A. of France.

75 BROWN DERBY RESTAURANTS

Cleveland, OH

RANK BY UNITS: 100

1988 U.S. Systemwide Sales:	**$155,000,000 (E)**
1988 U.S. Systemwide Units:	**52**

The privately held family-oriented chain has an average check of about $8. It features a varied menu of steaks, prime rib, barbecued ribs, fresh seafood, a salad bar, and full liquor bar. The Steakhouse Outlet is a retail operation that sells overstocked steaks, fish, coffee, glassware, and flowers from the restaurants. Expansion is likely in the hometown Cleveland market, as well as Phoenix and Pittsburgh.

76 SBARRO

Commack, NY

RANK BY UNITS: 54

1988 U.S. Systemwide Sales:	**$154,400,000**
1988 U.S. Systemwide Units:	**288**

Sbarro projects 75 to 80 new units this year, 55 to 60 of which will be company-owned, and a similar expansion in 1990. The preferred locations remain shopping mall food courts, but downtown sites are also considered. A freestanding store is in test. New seafood pasta primavera and Alfredo-sauced pasta adds lightness and variety. "White" (without red sauce), spinach, and broccoli pizzas are in test.

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77 MISTER DONUT

(International Multifoods)
Minneapolis, MN

RANK BY UNITS: 39

1988 U.S. Systemwide Sales:	**$150,930,000**
1988 U.S. Systemwide Units:	**516**

A drive-thru, carry-out-only store was successfully implemented this year, and 15 to 20 more are planned for next year. Buoyed by positive results, ongoing tests of supermarket in-store bakeries will be expanded. Columbo Yogurt is in test in 30 stores, and a franchisee is testing branded products in a 30-unit convenience store chain.

78 CRACKER BARREL OLD COUNTRY STORES

Lebanon, TN

RANK BY UNITS: 97

1988 U.S. Systemwide Sales:	**$147,823,000**
1988 U.S. Systemwide Units:	**67**

Cracker Barrel's $22 million common stock offering this year fuels its expansion program, which plans 15 new openings in 1990. Its strategy of locating along interstate highways in the heartland and Southeast continues, reaching the Chicago exurbs of northwest Indiana next year. Signatures are ribs, chicken, catfish, and pork chops, served with biscuits, cornbread, and country-style vegetables and side dishes.

79 LEE'S FAMOUS RECIPE

(Shoney's Inc.)
Nashville, TN

RANK BY UNITS: 56

1988 U.S. Systemwide Sales:	**$145,500,000**
1988 U.S. Systemwide Units:	**283**

Lee's expansion route is via franchising. Fourteen franchised stores and one company store opened this year, and it projects 20 franchised and five company stores next year. Company store sales are trending up by 10.7% over last year, and franchised store sales are up by 7.4%, although high poultry prices have hurt margins. New on the menu are oven-roasted chicken and chicken-fried potatoes, and in certain areas, barbecue ribs and a chicken breast sandwich.

80 MAZZIO'S

Tulsa, OK

RANK BY UNITS: 55

1988 U.S. Systemwide Sales:	**$145,000,000 (E)**
1988 U.S. Systemwide Units:	**285**

The "upscale" pizza chain promotes the value of its generous portions and reasonable prices (e.g. the "Three Pounder" combo for $9.95) rather than discounts or two-for-one deals. Limited-time pizza promos target adventurous palates, featuring Cajun, ham and cheddar, seafood, and Alfredo sauce toppings. Other mainstays are a food bar with pizza, pasta, and salads.

81 SHAKEY'S PIZZA

(Inno-Pacific Holdings)
Irving, TX

RANK BY UNITS: 62

1988 U.S. Systemwide Sales:	**$145,000,000**
1988 U.S. Systemwide Units:	**231**

Purchased by Singapore-based Inno-Pacific Holdings this year, Shakey's has a new president/COO in Gene Stone, former chairman of Skipper's Inc. He plans to consolidate the chain's headquarters in San Francisco, where the international branch is located, and develop the company's first corporately owned stores. Expansion will occur mainly on the West Coast. A pizza-by-the-slice concept is in test.

82 WINCHELL'S DONUT HOUSES

(Shato Holdings Ltd.)
La Mirada, CA

RANK BY UNITS: 26

1988 U.S. Systemwide Sales:	**$145,000,000 (E)**
1988 U.S. Systemwide Units:	**671**

Winchell's is preoccupied with its acquisition by Shato Holdings Ltd., a Canadian restaurant firm, after being sold by Denny's, due to takeover of parent TW Services by Conniston Partners. The deal could bring dollars to the loss-plagued chain for remodeling and new marketing. A new muffin line has done well.

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83 MR. GATTI'S

(LDB Corp.)
Austin, TX

RANK BY UNITS: 53

1988 U.S. Systemwide Sales:	**$143,000,000 (E)**
1988 U.S. Systemwide Units:	**325**

President L.D. Brinkman's new management team has helped him halt a profit slump and bring about double-digit increases in per store averages. Plans call for remodeling 20-plus units, adding 20 franchised stores, and increasing support for existing franchisees. A new eight-item line of Gatti's Favorites pizzas touts new flavors and more generous toppings. Lunch and dinner buffets are mainstays seven day a week.

84 FUDDRUCKER'S

(daka International)
Wakefield, MA

RANK BY UNITS: 88

1988 U.S. Systemwide Sales:	**$138,000,000**
1988 U.S. Systemwide Units:	**117**

Fuddrucker's merger last year with contract feeder daka has led to consolidation of its support functions with daka's in Massachusetts—and hopes of a beneficial synergy. Fuddrucker's plans 10 to 15 new units this year, mainly franchised. The upscale hamburger remains the star of the limited menu, although chicken and salads have been added.

85 PAPA GINO'S

Dedham, MA

RANK BY UNITS: 68

1988 U.S. Systemwide Sales:	**$132,000,000**
1988 U.S. Systemwide Units:	**207**

Papa Gino's upgraded its interior design this year with whitewashed oak, neon signs, green marble tables, and art deco wall fixtures. The Creamy Combo, Incredible Cone, and Sundae Supreme—premium soft-serve ice cream items with mix-ins—have boosted incremental sales of dessert.

86 A&W RESTAURANTS

(Taubman Investments Inc.)
Livonia, MI

RANK BY UNITS: 42

1988 U.S. Systemwide Sales:	**$131,700,000**
1988 U.S. Systemwide Units:	**476**

Following a deal with Minneapolis-based Carousel Snack Bars, A&W will convert more than 220 Hot Dogs and More mall food-court units to an A&W snack concept in 1990. Also next year, 30 new A&W units will be opened, mainly by existing franchisees, primarily in the Midwest and West Coast. Curly fries cooked in all-vegetable oil are now standard chainwide.

87 WIENERSCHNITZEL/ HAMBURGER STAND

(Galardi Group Inc.)
Newport Beach, CA

RANK BY UNITS: 52

1988 U.S. Systemwide Sales:	**$130,029,000**
1988 U.S. Systemwide Units:	**328**

The "hot dog experts" have a new International Sausages line. The new Italian Slugger (Italian sausage, mozzarella, marinara sauce, bell peppers) joins its signature Polish sausage. The privately-held chain plans to stay regional, opening 10 company stores and five to 10 franchised stores per year. Las Vegas is a new growth market, with two stores opened this year, and two more planned.

88 RUBY TUESDAY

(Morrison's Inc.)
Mobile, AL

RANK BY UNITS: 96

1988 U.S. Systemwide Sales:	**$128,000,000**
1988 U.S. Systemwide Units:	**80**

The specialty restaurant has been Morrison's focus for growth since it acquired the chain's 18 units in 1982. Part of the appeal: It requires fewer employees and smaller units (4,500-5,000 sq.ft.) than Morrison's cafeterias. In Atlanta and Seattle, Morrison's is testing an approach in malls to capture both lunch and dinner crowds, clustering Ruby Tuesday with its sister specialty restaurants, L&N Seafood Grill and Silver Spoons.

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89 CHART HOUSE
Solana, CA

RANK BY UNITS: 99
1988 U.S. Systemwide Sales: **$125,000,000 (E)**
1988 U.S. Systemwide Units: **58**

The nation's first full-service casual dinner-house chain, founded in 1961, operates in 17 states, including Hawaii, plus Puerto Rico and the U.S. Virgin Islands. All but one are company-owned and operated. The company listed a 3.8 million share common stock offering on the New York Stock Exchange this year. Expansion plans call for four to six new units in 1990.

90 KETTLE RESTAURANTS
Houston, TX

RANK BY UNITS: 70
1988 U.S. Systemwide Sales: **$123,041,000**
1988 U.S. Systemwide Units: **195**

The company hopes that a management-led stock buyout this year will help it out of a three-year sales slump. Expansion is on hold as the company services debt and restores comparable store sales, which are trending up by 6%. First-ever TV advertising on cable networks touts revised menu and the Four Deuces breakfast combination plate.

91 EL POLLO LOCO
(Coniston Partners)
La Mirada, CA

RANK BY UNITS: 80
1988 U.S. Systemwide Sales: **$120,900,000**
1988 U.S. Systemwide Units: **149**

Coniston Partners' acquisition of parent TW Services should bring EPL new dollars for remodeling, marketing, and R&D. Plans call for promotional TV advertising, plus generic "brand sell" of charbroiled chicken. A side salad rollout is EPL's first salad foray. 1990 expansion plans for 75 to 80 new units.

92 YORK STEAK HOUSE
(General Mills Restaurant Group)
Orlando, FLA

RANK BY UNITS: 93
1988 U.S. Systemwide Sales: **$118,000,000 (E)**
1988 U.S. Systemwide Units: **100**

As of press time, York Steak House had been sold off in many different directions. Thirty-four were bought by Steak House Acquisitions, a Bonanza franchisee. Five others were purchased by Uno Restaurant Corp., owner and operator of the chain Pizzeria Uno. Both of these companies have plans for conversion of the steak houses.

93 TACO JOHN'S
Cheyenne, WY

RANK BY UNITS: 44
1988 U.S. Systemwide Sales: **$116,000,000**
1988 U.S. Systemwide Units: **448**

This year, Taco John's rolled out a chicken menu line. Officials said they are responding to customer concern for choice and also appealing to those patrons who want to reduce their red meat intake. They will be adding approximately 50 new restaurants, putting their total well over 450 by the end of the year. Taco John's is also offering advertising cooperatives; franchisees put up money and are then provided ad materials from the parent.

94 BOJANGLES
(Horn & Hardart Co.)
New York, NY

RANK BY UNITS: 78
1988 U.S. Systemwide Sales: **$115,000,000 (E)**
1988 U.S. Systemwide Units: **151**

Bojangles is taking steps to encourage new stability and franchisee harmony. Plans are in motion to open markets in contiguous states, in order to move and strengthen the regional roots it has established. Bojangles reached a set of agreements with its franchisees in an effort to foster growth and sell additional franchises in 1990.

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95 EL CHICO

(EL Chico Corp.)
Dallas, TX

RANK BY UNITS: 92

1988 U.S. Systemwide Sales:	**$111,504,000**
1988 U.S. Systemwide Units:	**106**

El Chico has added "heart healthy" items to its menu. These include a Rio Grande salad, which contains cooked and chilled chicken and vegetables tossed together, and Red River chicken, a marinated grilled chicken breast with mesquite-grilled vegetables. These items are all low in calories, sodium, and cholesterol. At this time the chain has no plans for expansion.

96 LYONS RESTAURANTS

Foster City, CA

RANK BY UNITS: 98

1988 U.S. Systemwide Sales:	**$110,000,000**
1988 U.S. Systemwide Units:	**65**

Over this past year, Lyons Restaurants bought itself out from former parent Sara Lee. The family restaurant chain currently has 67 units and plans to open five more this coming year in Northern California.

97 TASTEE FREEZ

(De Novo Corp.)
Utica, MI

RANK BY UNITS: 47

1988 U.S. Systemwide Sales:	**$110,000,000**
1988 U.S. Systemwide Units:	**404**

Tastee Freez is developing a frozen yogurt line. Also, it has introduced three new ice creams to appeal to the adult taste: Grand Marnier, amaretto, and coffee liqueur. It is also introducing a pumpkin praline ice cream for seasonal consumption. Tastee Freez is also testing a novelty ice cream bar it has trademarked called "Freezee." It is soft-serve ice cream with candy mixed into it, molded, and frozen in stick form, then coated in chocolate.

98 WAG'S

(Marriott Corp.)
Washington, DC

RANK BY UNITS: 94

1988 U.S. Systemwide Sales:	**$110,000,000**
1988 U.S. Systemwide Units:	**91**

Marriott is in the process of converting its Wag's restaurants into Allie's. At press time, it had already converted 16 in Florida and plans to convert 66 more over the next year. The Allie's concept, a more contemporary family restaurant than Wag's, features a healthful menu that emphasizes grilled rather than fried food items.

99 BLIMPIE

(Astor Group Inc.)
New York, NY

RANK BY UNITS: 50

1988 U.S. Systemwide Sales:	**$107,400,000**
1988 U.S. Systemwide Units:	**350**

Blimpie introduced a low-calorie menu in June in Atlanta, and is now offering four sandwiches with pita bread and four salads, each under 300 calories, called "Blimpie Lites." They will become a permanent addition to the menu. Also in Atlanta, Blimpie is testing a concept known as the "Fresherie." Designed to appeal to a more upscale market, these stores are located in malls and offer gourmet salads in addition to the regular Blimpie menus.

100 JB'S RESTAURANTS

Salt Lake City, UT

RANK BY UNITS: 90

1988 U.S. Systemwide Sales:	**$101,000,000**
1988 U.S. Systemwide Units:	**116**

JB's has chosen to call this new fiscal year "the year of consistency." The past two-and-a-half years have been dedicated to renovating the company and developing new systems for operations. It plans to add 8 more units in the coming year.

SANDWICH MARKET SEGMENT REPORT

THERE ARE A MILLION REGIONAL names for the hefty sandwiches that are gaining in popularity across the country as fledgling chains exploit a market niche that promises great potential. They're grinders, or wedges, or hoagies, or poorboys, or heroes, or submarines, or even Blimpies.

They all spell success; the sandwich segment has shown impressive growth over the last decade. Unit growth of franchised sandwich outlets climbed over 200% over the last 10 years, according to the U.S. Department of Commerce. At the same time, sales rose 400% in dollar volume.

"When we started out in 1985, we thought there was a niche to be filled. It's amazing to me that the opportunity was still there then," notes Joe Sanfellipo, president of San Francisco-based O!Deli, a chain of delis that are located in office complexes.

DAZZLING. The company that has particularly drawn attention to the sandwich segment is Milford, CT-based Subway Sandwich & Salad Shops, which has grown faster than any other foodservice system in history. And even competitors are glad to see that dazzling growth.

Just as Pizza Hut educated America about a little-known ethnic specialty with the funny name of pizza, Subway is introducing Americans to submarine sandwiches.

"We like Subway's growth, because it has brought attention to the segment," says Kelly Arnold, national sales manager for Austin, TX-based Schlotzsky's. "I just hope they're as good at servicing the customers as they are at selling franchises. Otherwise, it will be bad for everybody."

Although other operators like the attention that Subway has directed to the segment, they acknowledge that Subway does present serious competition.

"I think that the 'convenience factor' may be taking some business away from us," says Ross Woodard, vice president for Campbell, CA-based Togo's Eateries. "A customer might go to a Subway just because there's always one close by, even if he prefers Togo's."

WHY THE GROWTH? Since the sandwich segment seems to hold so much potential, why has it taken so long for that potential to be tapped? Long dominated by small, mom-and-pop operators, sandwich chains have only developed in the last decade or so. One of the reasons for the current proliferation of sandwich shops is that the price of admission is not high.

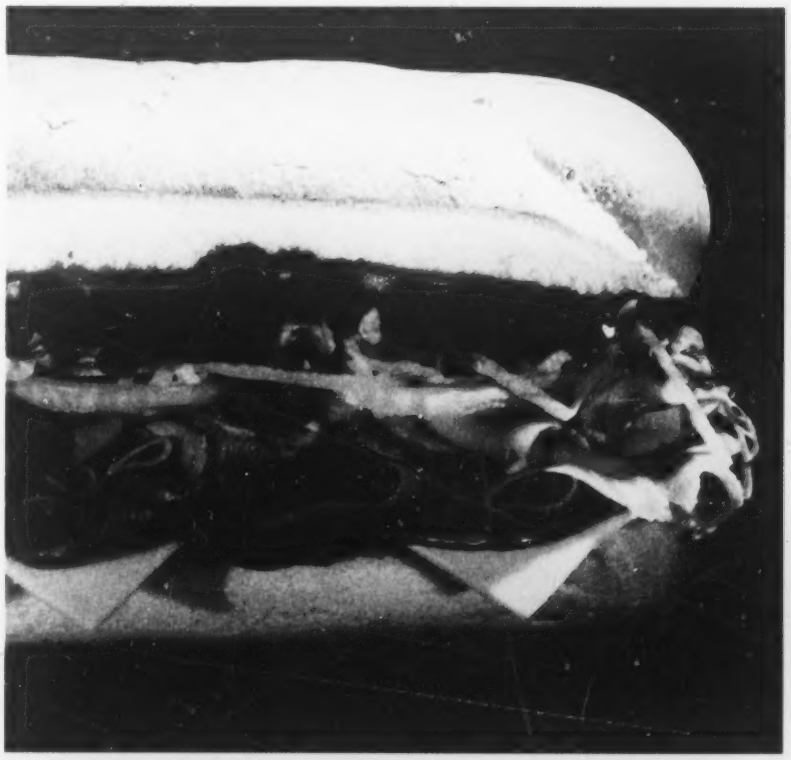
"I think people had some doubts about how profitable a sandwich place could be, compared to units in other segments," says Dave Potter of Omaha, NE-based Little King's, a chain of some 100 "hero" shops in the Midwest.

"Pretty soon, people started noticing that a sandwich place doesn't have to be

continued on page 194

Unit growth of sandwich outlets has climbed more than 200% in the past 10 years.

By Jacque Kochak



4,000 sq. ft. The volume won't be as high, but you can open 10 sandwich shops for the same amount of money that it takes to open one McDonald's. When you look at it that way, sandwich shops can be very, very profitable," he adds.

Potter points out that a sandwich shop can occupy a space as small as 400 sq. ft. in a food court, and that the equipment package for a sandwich shop typically costs much less than for other types of operations.

"People equate making money with higher-volume restaurants. That has made them shy away from the sandwich segment," agrees Schlotzsky's Arnold.

THE OLD-TIMERS. The old-timers in the sandwich segment specialized in hot roast beef sandwiches, and over the years they have increasingly positioned themselves head-on with burger giants such as McDonald's and Burger King. In the process, they have expanded their menus dramatically.

The largest of these is Atlanta-based Arby's, a division of Miami holding company DWG Corp. Arby's today is among the hottest fast-food franchises around, growing 17.4% in sales in 1988. According to the Chicago-based research firm Technomic Inc., that growth rate is third only to Subway Sandwich & Salad Shops and Little Caesars Pizza.

Led by former president Len Roberts, Arby's management team improved sales for the system of 2,100 units by 50%, to $1.2 billion in 1988.

Arby's has been helped by the fact that the public perceives roast beef (and sandwiches in general) as more nutritious than hamburgers. In addition, very few major chains sell roast beef.

At press time, however, Arby's was mired in controversy. Dazzling Arby's has been the lone jewel in the crown of troubled financier Victor Posner, owner of DWG Corp. Two companies owned by Posner are in bankruptcy, and he himself is beset with legal problems, including conviction for income-tax evasion.

All of this has made Arby's franchisees very nervous, and in early September, a group of them put together a $200 million buyout offer for Arby's Inc., the marketing, franchising, and service company.

When Posner rejected the offer, then-president Len Roberts—widely credited with turning Arby's around—resigned as vice chairman and director of DWG. The resignation was accompanied by a written attack on Posner's heavy-handed management techniques, which prompted his dismissal of Roberts the following day.

Soon after, Irving Riese of New York City's Riese Organization was appointed president, a decision that raised eyebrows and caused another furor among franchisees. The Riese Organization is a major real estate company that operates a number of restaurant franchises in the New York metro area. Among them are some of Arby's chief competitors, including Burger King and Pizza Hut. At press time, speculation was rife about what Riese's true role would be and what Posner's true motives are.

Togo's relatively upscale units have marble, tile, and oak interiors.

LESS TROUBLE. Traveling a less troubled course is Washington, DC-based Roy Rogers, a division of Marriott Corp. The chain, which operates 632 units (238 of them franchised), is firmly entrenched in the Northeast and is currently looking into contiguous markets for expansion.

Roy Rogers, long associated with roast beef, has in the last several years made a concerted effort to move the focus away from that item. "We're working very hard to reposition ourselves as a chicken and hamburger chain, as sales

continued on page 196

of red meat, including roast beef, have declined over the last several years," says Rick Sneed, Roy Rogers' manager of public relations.

In fact, today the majority of Roy Rogers' sales come from fried chicken, followed by burgers, says Sneed. Although Roy Rogers does not divulge sales figures, he says that chicken sales are greater than hamburger and roast beef sales combined.

Such menu diversification has posed problems for Roy Rogers, however. "Roy's has a difficult battle because we are positioned against everybody," Sneed says. "We're pitted against Burger King, Wendy's, and McDonald's on the burger front and against Kentucky Fried Chicken, Popeye's, and Church's on the chicken front.

"Wendy's can come into a market and devote all its media weight to burgers, going head on against McDonald's, while we have to split ours. We do TV promotions for chicken, burgers, and roast beef. So, we can't aim all of our guns at Kentucky Fried Chicken because then we would lose ground on the burger front."

The diversification strategy has paid measurable gains, however. "The industry is having a difficult time right now. We're keeping pace with last year, and our salvation in the current slump is our success with chicken," says Sneed.

THE SUBWAY STORY. The chain that has riveted attention on the sandwich segment is Subway Sandwiches & Salads, which is stunning the industry by opening as many as 100 new units a month. Systemwide sales for 1989 are expected to top $1 billion, and at press time, the current unit count was 3,704. President Fred DeLuca isn't putting on the brakes yet, however.

"I think there's room for about 10,000 stores in the U.S.," he says. "I get that number from the total distribution of McDonald's units. We plan to have 8,000 units by 1995."

Subway's expansion isn't limited to the U.S., however. The chain is also growing in Australia, Canada, Puerto Rico, and the Bahamas. Seventy-five stores have opened in Canada in the last 12 months.

DeLuca says that while Subway's expansion may appear to be dramatically rapid compared to the rest of the franchising industry, the company is actually growing at a somewhat slower rate than it was a couple of years ago.

Sandwich shops are attractive to franchisees because they require a low initial investment.

"In the past 12 months, we've added 1,160 stores, or 50% to the size of the chain," he says. "In 1987, we actually grew 83% in a single year."

DeLuca says that the hardest part of such rapid expansion is training such a great number of franchisees. And, in most areas, a submarine sandwich is a new product and the company has been faced with educating consumers.

"We educate by the most direct route possible, getting people into the store to try the sandwich," says DeLuca. "We often hold pre-opening parties and give out free samples."

Subway stores are now located in all 50 states. Most units are in strip centers, with about 20% free-standing and another 5% to 10% in regional malls.

While Subway shops are perceived as places to go for a cold sandwich, the chain has recently introduced some hot sandwiches that are warmed in a microwave. They are a meatball sandwich, a steak-and-cheese sandwich, and a hot barbecued-beef sandwich.

Will Subway eventually expand its offerings to the point where the original signature sandwich is no longer the center of the menu?

"I think there will be menu evolution, but nothing earth-shattering is on the horizon," says DeLuca.

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SANDWICH MARKET SEGMENT REPORT

The second largest deli-sandwich chain is New York City-based Blimpie Co., a division of the publicly held Astor Restaurant Group Inc. The chain operates some 350 units in 15 states, and president Tony Conza says he wants to open 250 new locations a year in the future.

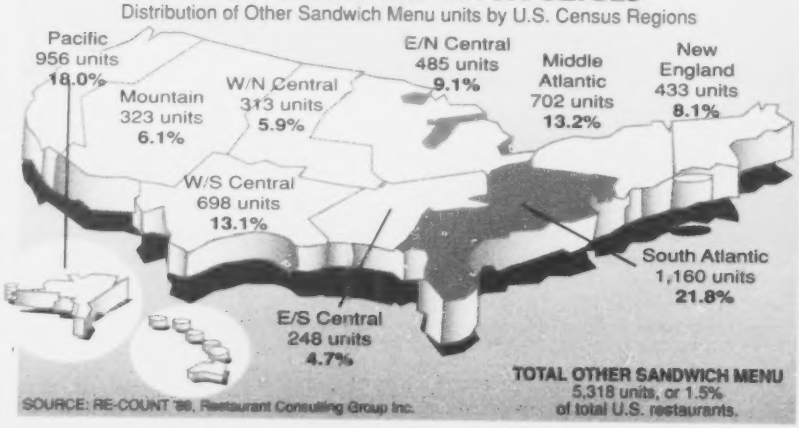
This rapid growth follows a restructuring of the company after an ill-planned expansion thrust in the 1970s.

"We had expanded into a couple of places like Atlanta and South Florida," says Conza. "We thought that we would go national, but we weren't prepared. We ended up with isolated units that couldn't be supplied properly, or given advertising and managerial support."

That experience led to a totally dif-

HOW THE SANDWICH SLICES

Distribution of Other Sandwich Menu units by U.S. Census Regions



SOURCE: RE-COUNT '88, Restaurant Consulting Group Inc.

TOTAL OTHER SANDWICH MENU
5,318 units, or 1.5% of total U.S. restaurants.

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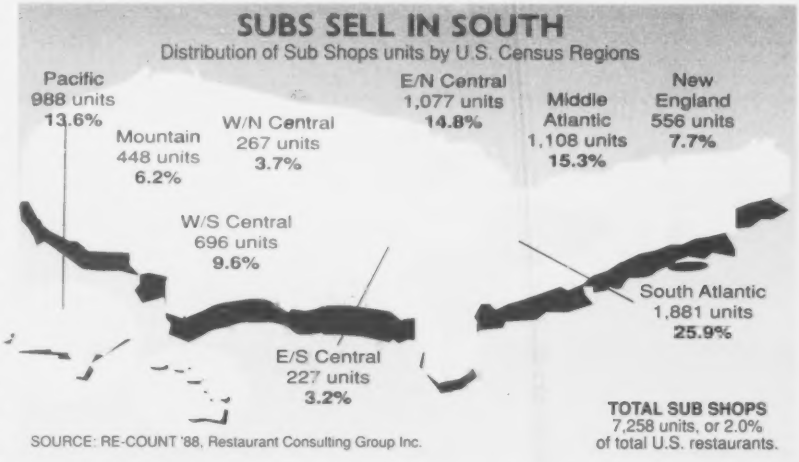
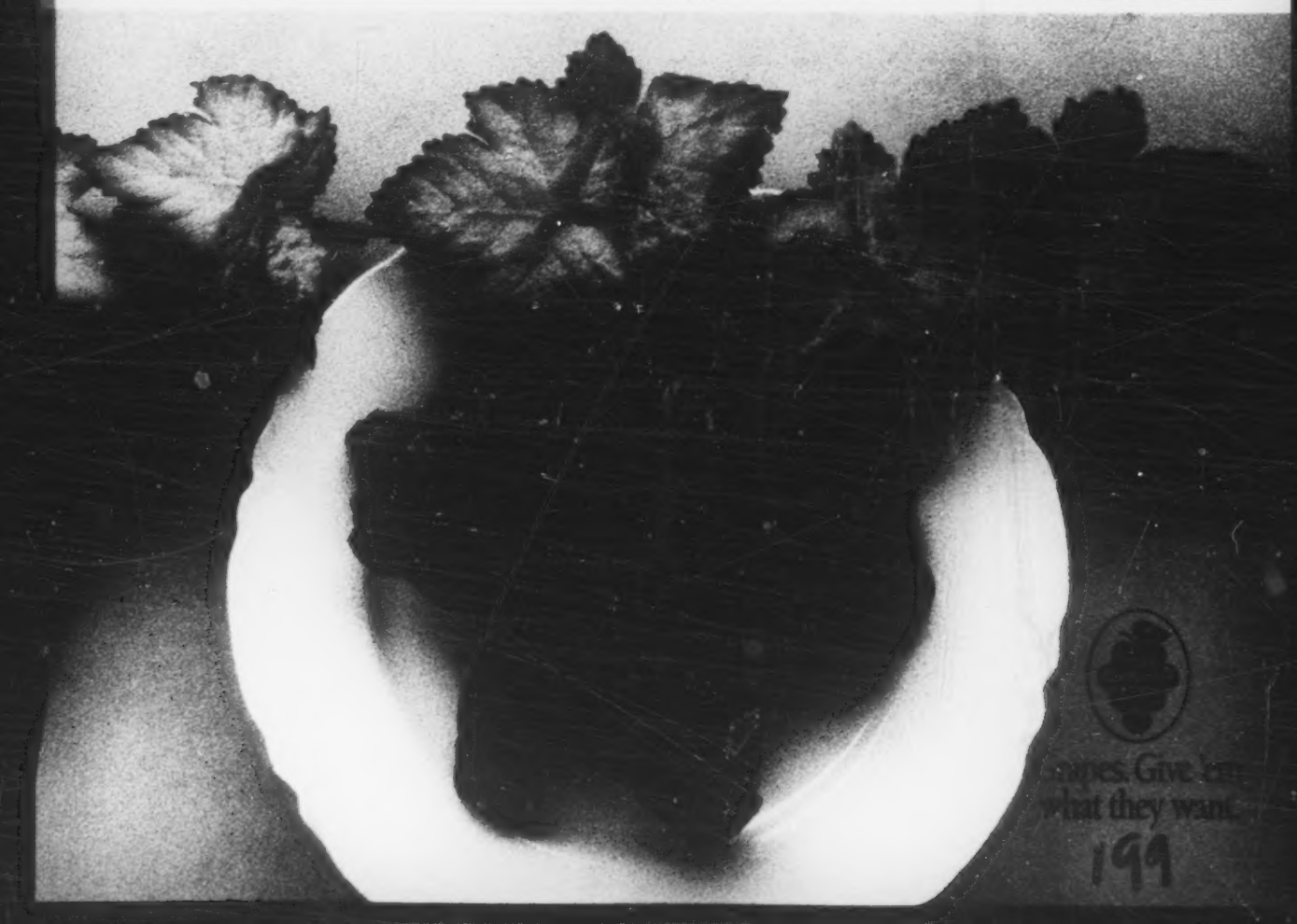
ferent expansion approach. "We learned a lesson. Now we don't open individual franchises unless we are prepared to open a cluster," he says. "And we've concentrated our efforts on areas where units are already clustered, like Atlanta."

NEW APPROACH. The new approach involves establishing area distributors who purchase development rights to specific geographic areas; the distributors then act as sub-franchisors responsible for selling franchises and overseeing the entire operation within their own areas. The area-distribution system enables the sub-franchisors to share in the franchise revenues from their territories, thus creating a part-

continued on page 200





SANDWICH MARKET SEGMENT REPORT

Rick Cardin, chairman, and Joe Sanfellipo, president, of San Francisco-based O!Deli, a sandwich chain located mainly in office buildings.

Sandwiches attract today's consumer because they are perceived to be very fresh and nutritious.

nership with the parent company.

Thirteen such area distributors have been established so far. Initial expansion will be concentrated in the Northeast, Southeast, Southwest, and California, with the eventual goal of establishing 1,000 units nationwide in five years.

Other steps to support Conza's expansion plans include consolidating deliveries to franchisees, establishing rigid controls over suppliers to ensure product freshness and quality, modernizing the company's computer systems and programs, redesigning store decor to reflect a fresh, contemporary image, and continuing an ongoing development program to encourage the introduction of new concepts, innovations, and improvements throughout the system.

Blimpie was launched in Hoboken, NJ, in 1964. Conza and two friends decided to call their sandwich a hoagie, as in Philadelphia, but they found that Hoboken natives didn't know what a hoagie was.

"We thought that if we had to educate people to what the sandwich was, we might as well have our own name," Conza recalls. The Blimpie is a loaf of fresh Italian bread loaded with cold cuts, oil, vinegar, and spices.

Recently, the menu has been expanded to include several hot items, and this fall, a meatball sandwich and a sausage sandwich have been introduced. Both are warmed in a microwave.

Another addition is the Blimpie Lite menu, under test in Atlanta since June. The four sandwiches and four salads have "more than met expectations," says Conza. Offerings are tuna salad, chicken salad, seafood and crab salad, and turkey with cheese served on a platter or on pita bread. Each item contains fewer than 300 calories, and the menu is endorsed by the Diet Workshop, a large, independently owned weight-reduction program.

Austin, TX-based Schlotzsky's operates 244 restaurants in the Midwest, Southwest, and Southeast, and boasts sales in excess of $50 million. Unit volumes average $300,000 a year. Some 21 of the units are company-owned.

Expansion plans call for saturating those areas, foregoing immediate expansion in the Northeast, Northwest, or California.

Schlotzsky's sandwiches are recognized by customers as unique. They are served on a proprietary sourdough bread baked on premise in a display baking area. Soups and salads round out the menu, with an average check of $4.15.

In selected company restaurants, Schlotzsky's is testing a 13-in. pizza product that sells for $3.89. The pizza will be sold after 4 p.m.

"Our goal is to add incremental sales in the evening," says national sales manager Arnold. "We want to increase profit margins. People don't buy sandwiches after 4 p.m.; 65% of our business comes between 11 a.m. and 2 p.m."

Schlotzsky's are located in food courts, regional malls, and the end bays of strip shopping centers. In the last several months, the company has begun building free-standing units with drive-thrus.

A DIFFERENT APPROACH. Many seasoned businesspeople are eyeing the sandwich segment with interest. Among them are Joe Sanfellipo, president of O!Deli, and chairman of the board Rick Cardin.

Cardin, who holds a Harvard MBA as well as a doctorate, was working as a consultant to major international companies when he decided to go into business for himself. After a good deal of research, he found franchising appealing, then tried to figure out the ideal franchise concept. His research led him to the sandwich shop business.

He teamed up with Sanfellipo be-

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cause of Sanfellipo's extensive background in franchising. Sanfellipo couldn't have been more unlike Cardin; he left home at 16, started several companies, was a millionaire by 24, broke by 30, and a millionaire again by the time he met Cardin.

They decided to open delis that would serve healthy, high-quality sandwiches, soups, breakfasts, and snacks at fast-food prices. They knew that the delis would do most of their business at lunchtime, so they decided to locate primarily in office buildings.

"We have a system to run our delis, so major landlords can open office buildings anywhere in the country and provide an amenity for tenants, without having to worry about negotiating with a mom-and-pop operator at every location," says Sanfellipo.

Office parks provide a selling ground that is virtually devoid of competition, with a large, captive customer base.

And, because of the credentials that O!Deli management people bring to the bargaining table, they are able to coax concessions out of developers.

"An independent operator typically will not be able to get the landlord to build out the space because the developer doesn't know if the independent will be there in three years," says Sanfellipo. "But they know that we will be there for the long term. Sometimes, they build the space out completely and just hand us the key. And a lot of times we are able to negotiate a minimal rent along with a percentage of sales."

Eighteen O!Deli units are now open, 10 of them company-owned. A total of 266 locations are under contract to open, 46 of those by March 31, 1990.

Some 190 of those units have been contracted by Clark, NJ-based Deli-Max, a restaurant management company that will develop the New York metro area.

O!Deli differs from many competitors because units are larger (1,000 to 2,000 sq. ft.) and volumes are higher (about $400,000 a year in new stores).

Sanfellipo says that a chain like Subway is not really O!Deli's competition, either, because O!Deli's choice of locations is so different. O!Deli's major competition is from independents.

Sanfellipo is not shy about saying that O!Deli is in the franchising business rather than in the restaurant business. "We created a franchising concept to fill a niche," he says. "We created a system so others can get into the restaurant business."

REGIONAL OPERATORS. The sandwich segment has proven to be fertile ground for the proliferation of regional operators, from Jreck Subs, based in Watertown, NY, to Jerry's Subs, based in Gaithersburg, MD.

On the West Coast, Campbell, CA-based Togo's Eateries, with 122 units, dominates the California market. Now expansion outside of California is being contemplated, with a new unit just opened in Schlotzsky's home territory of Austin.

"The Austin market looks a lot like the markets in California where we've been successful," says Ross Woodard, vice president. "We see the potential to put in a lot of restaurants, and we think that the Texas economy is healing."

In 1990, Togo's will head for the Seattle market, and continue to expand in California. "But, we're running out of room in California," Woodard notes.

The first Togo's opened near the campus of San Jose State University in 1969, and the present ownership got involved in 1973. Franchising began in 1977.

Togo's serves 30 different Eastern-style sub sandwiches on a 25-in. loaf of sweet French bread. The loaf is cut into a 6-in. portion for a small serving, and a 9-in. portion for a large serving.

Units range in size from 850-sq.-ft. beachfront stores to 5,000-sq.-ft. stores in California's Silicon Valley. Only two units are located in regional malls. "We usually can't afford free-standing units,

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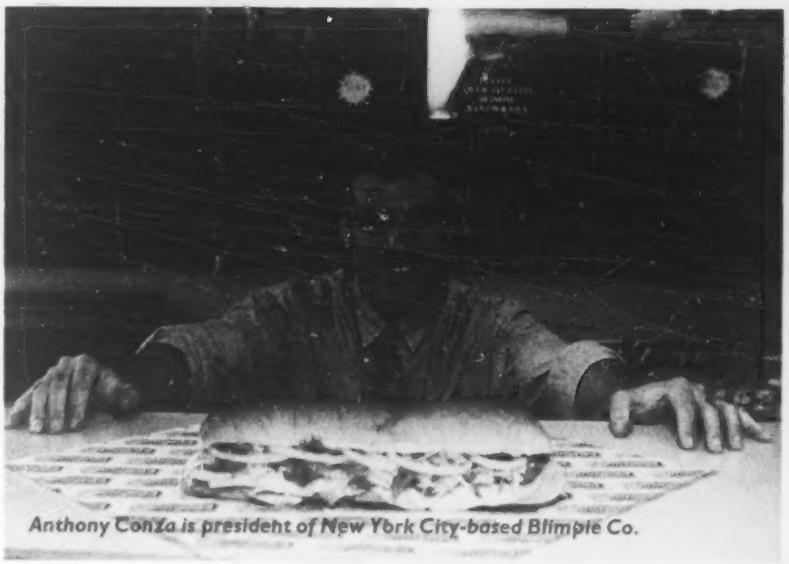
Sandwich shops' low turnkey cost is offset by relatively low average unit volumes.



Anthony Conza is president of New York City-based Blimpie Co.

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SANDWICH

Sandwich shops are typically small units with limited seating space and a relatively simple equipment package.

because California real estate markets are very high, but that is what we would prefer," says Woodard.

Togo's is unusual in that its annual volumes are very high compared to most other submarine shops. Sales are typically about $440,000 per unit, and up to $1 million in large stores.

That emphasis on a higher volume than most of the competition has affected the way that Togo's now views expansion.

"We're selling sandwiches, not franchises," says Woodard. "It takes two or three Subways to make one Togo; if one of our restaurants did Subway's volume, it would close up."

He says that because Togo's break-even point is much higher than some of the competition's, the company has to be much more selective about sites. "It's just a different strategy," he adds. "Subway's looking for expansion, we're looking for high volume."

Even with slow expansion, Togo's showed a 15.6% increase in sales from 1988 to 1989. Total systemwide sales for fiscal 1989, which ended in June, reached $55.5 million.

Togo's is also distinguished by more upscale units, which have marble, tile, and oak interiors.

Little King's now operates 100 units in 17 Midwestern states. Thirty units are company-owned, with 70 fran-

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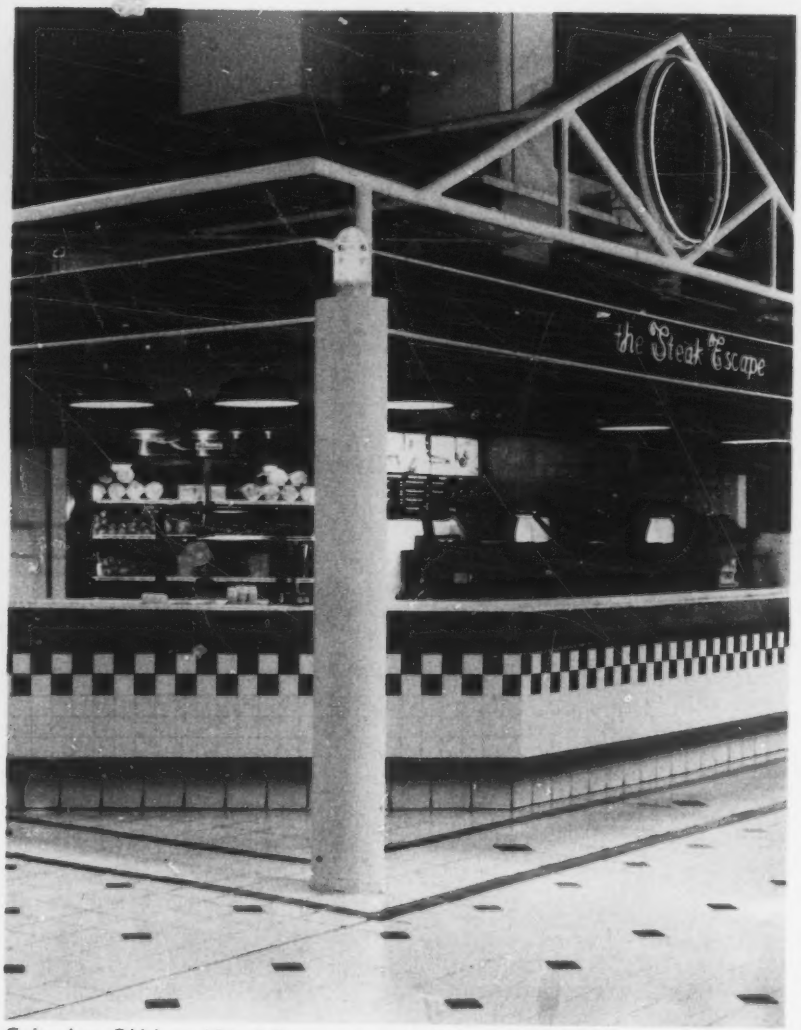
SANDWICH MARKET SEGMENT REPORT



Columbus, OH-based Steak Escape operates 54 units in 19 states and one in Japan.

chised. Expansion plans call for eventually moving out of the Midwest.

Little King's specializes in a "hero" sandwich made to order in front of the customer. Average check is $4.

"Most people can't eat hamburgers every day, but the possibilities are endless with 15 different kinds of sandwich meat," says vice president Potter.

He adds that sandwich chains benefit from the customer's perception that sandwiches are fresh and healthy, if not low in calories. Little King's also offers a Lite menu with four sandwiches and three salads, with fewer than 300 calories each.

Units are typically located in strip centers or food courts. The end bays of strip centers are especially desirable because drive-thrus can be installed; some 50% of Little King's business comes from take-out.

Potter heartily agrees that the sandwich segment holds a great deal of room for expansion. "There's definitely a lot of room," he says. "Look at the number of units of other fast-food players, and remember that sandwich chains are drawing from the same population base."

Subway is the fastest-growing chain, opening as many as 100 units a month; 1989 sales may top $1 billion.

PHILLY CHEESE STEAKS. Besides submarines, customers nationwide are being introduced to Philly cheese steak sandwiches by several growing chains. The Philly cheese steak sandwich, reportedly born during the Depression, consists of thin-sliced steak cooked on a very hot grill with oil, onions, mushrooms, and green peppers, topped with provolone cheese, and served on a hoagie roll.

Philly cheese steak shops require more equipment than the typical sub shop, so opening costs can run as high as $225,000. Yearly volumes are also higher, however, running between $400,000 and $500,000.

"A franchisee can get one of our stores turn-key for around $170,000, compared to $80,000 to $90,000 for a Subway shop," says Nicola J. Lanni, president of the Great Steak & Fry Co., which operates Philly cheese steak shops in regional malls nationwide. "But our return is about 20%, compared to 10% for a Subway. That's more bang for your buck."

The Great Steak & Fry Co., based in a suburb of Dayton, OH, owns nine

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SANDWICH MARKET SEGMENT REPORT

TOP SANDWICH CHAINS

	1988 Systemwide Sales	Avg. Unit Volume
Subway Milford, CT 3,704 units	$1 B	$225,000
Blimpie New York, NY 350 units	$120 M	$325,000
Togo's Eateries Campbell, CA 122 units	$55.5 M	$440,000
Schlotzsky's Austin, TX 244 units	$50 M	$300,000
Little King's Omaha, NE 100 units	N/A	N/A

units in Dayton and Cincinnati, and franchises 58 units in 15 states.

Franchisor Nicar Management, headed by Lanni, is especially picky about locations for its units. Food courts in regional malls are preferred locations, and Lanni says that with average unit volumes of $450,000, Great Steak & Fry units are among the top three grossing businesses in a food court.

Lanni adds that Nicar won't expand outside of regional malls. "We're not going to build 2,000 units, because we won't go out on the street," he says.

Great Steak & Fry units typically occupy 450 sq. ft. in a food court, or up to 3,000 sq. ft. when seating is included.

continued on page 214

In addition to subs and roast beef, the segment includes concepts that feature Philadelphia-style cheese steaks.

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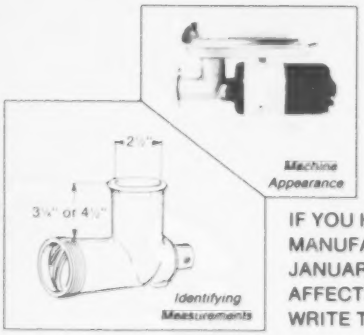

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The cheese steak sandwich is made of thinly sliced top sirloin, stir-fried on the grill in full view of customers, then served on a freshly baked bun with fresh mushrooms and peppers. The company also serves a stir-fried ham sandwich with crushed pineapple and Swiss cheese, a stir-fried chicken Philly with Swiss cheese, and a turkey breast sandwich.

"When we opened in 1980, we thought the sandwich segment was a great window of opportunity," says Lanni, who brought with him 15 years of experience in the foodservice industry. "So we took the basic steak sandwich that is served all over Canada, took away the tomato sauce, and garnished it like a hamburger. At that time, there were just not a lot of upscale, cook-from-scratch sandwich shops in Dayton."

The company started franchising five years ago. By 1987, systemwide sales had reached $7 million; that figure doubled in 1988, and is projected to reach $18 million for 1989.

Another company specializing in cheese steak sandwiches is Columbus, OH-based Steak Escape, with 54 units in 19 states and one in Japan. Only two units are company-owned, the rest franchised.

Some 90% of units are located in food courts, either in regional malls or mixed-use projects. Units are 600 to 900 sq. ft. in size, with an average volume of $450,000. Systemwide sales in 1988 reached $18.5 million.

The Steak Escape was founded in 1982 by two Easterners, both of whom had been raised on cheese steak sandwiches. They couldn't find their favorite sandwich in Columbus, so they opened a unit without intending to expand. In 1983, the first franchise was sold.

Growth has been steady but not spectacular, an expansion style that will continue in the future. Some 65 units should be open by the end of the year, says director of marketing Carm Bonaventura.

THE FUTURE. Is there room in the sandwich segment for all the emerging

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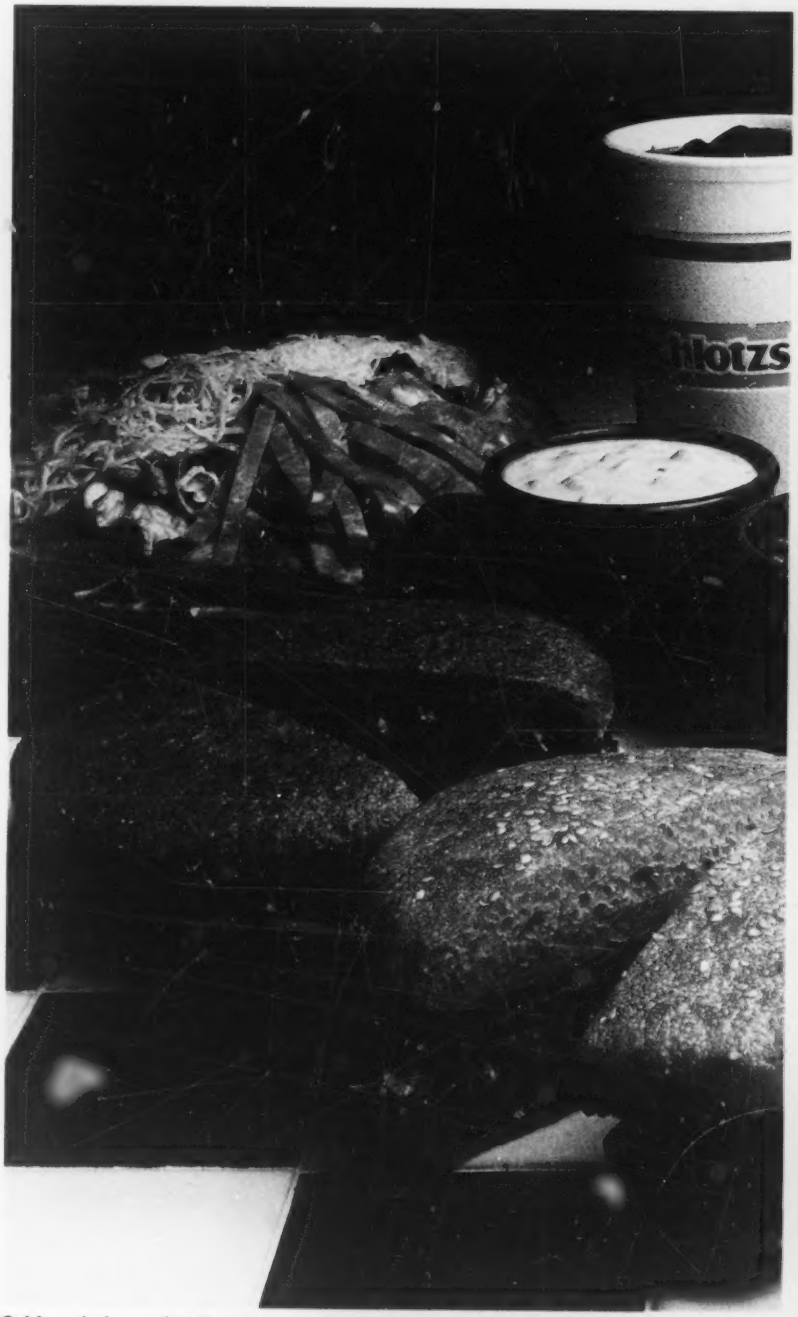

Schlotzsky's sandwiches are unique; they are served on a proprietary sourdough bread baked on premise in a display baking area.

Roy Rogers serves chicken and burgers, as well as roast beef sandwiches.

companies vying for a piece?

"I think a lot of companies will eventually fall by the wayside," says Subway's president DeLuca. "But I don't have a good feel for who will do well and who won't."

Nevertheless, a great deal of growth still seems possible in the sandwich segment, if operators are willing to settle for volumes that are lower than some of the traditional fast feeders. It seems that sandwiches will continue to benefit from the trend toward healthier eating.

"In America today, there aren't many new fast-food customers. They're all just moving around," says Blimpie's Tony Conza. "Now the public is realizing that sandwiches are a good, healthy alternative."

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